SPRING 1956

VERITAS ET UTILITAS

THE BUSINESS QUARTERLY

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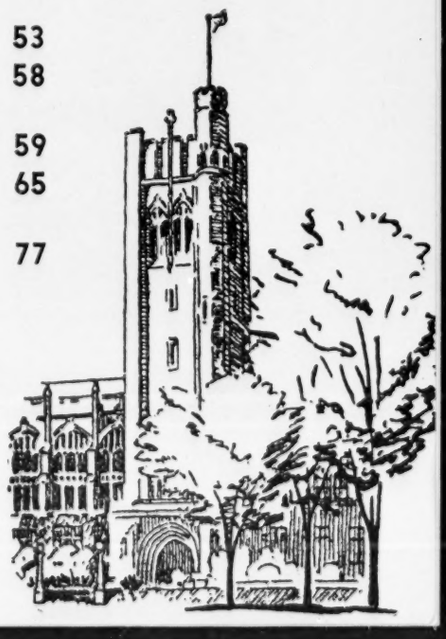

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Editorial . . .

This Volume XXI, Number 1 begins two new quarterly features. John Robarts, Q.C., M.L.A., highlights changes in the law affecting the Canadian businessman, and Ken Lemon, C.A., the most recent taxation changes. In course of time businessmen will refer to the yellow pages of The Business Quarterly as often, we hope, as they do to those in the telephone book.

A learned magazine should not, in our view, confuse dullness with learning. To break up blocks of print which may deter the modern reader accustomed to pictures rather than to print we are including for the first time appropriate line drawings by Barbara Langtvet. Their purpose is not to detract from the letterpress, but rather to highlight it by contrast.

The human potential in business is treated in different ways by businessman Stewart Thompson and psychologist Gordon Turner. Both seem to arrive at very similar conclusions after travelling entirely different roads. During this century business thinking on the treatment of staff has certainly been revolutionized.

Having come under fire for providing a forum in our last issue for the views of government and organized labour, we proudly point out that in this issue six of our ten contributors are businessmen, and only four associated with the university. In view of businessmen's natural diffidence and frequent incoherence, we feel that this is a remarkable proportion. In contrast, government and labour are on this occasion left speechless. But progress in Canada depends on co-operation between all three estates — business, government and labour — and the better we all understand each other and each other's objectives the better such co-operation will be. Certainly, some such better co-operation is required if Canada is to continue to attract the stream of immigrants which Paul Roddick finds so necessary, and if they are to be happy and stay in Canada as good Canadians.

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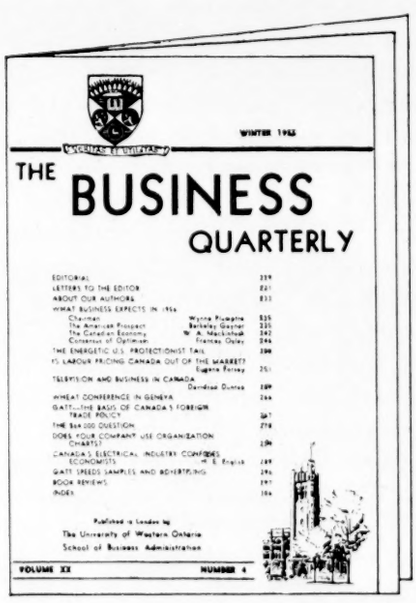
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Letters to the Editor . . .

Help of Businessmen Needed

. . . University of Western Ontario's School of Business Administration publication, *The Business Quarterly,* fills definite need for high-level discussion and analysis of problems affecting Canadian economy and role therein of business, industry and finance. Unfortunately, Winter 1955 issue of *The Business Quarterly* appears to provide forum for airing of views of government and organized labour rather than of business community. . . .

. . . Much of the same issue of *The Business Quarterly* is devoted to discussion of supposed achievements of General Agreement on Tariffs and Trade in improving climate of business. G.A.T.T. and Canadian trade policies arising therefrom are regarded by majority of business leaders in this country as unrealistic and harmful to national economic interests in light of trade restrictions that other countries, despite G.A.T.T. obligations, impose on Canadian imports. . . .

. . . Fact that *The Business Quarterly's* Winter 1955 issue appears as forum for bureaucrats and labour officials may be fault not of the editors but of the business community itself. Business leaders have responsibility to support such ventures in academic publishing not only with money but with ideas as well.

The Letter-Review, Fort Erie
December 19, 1955

Voluntary authors amongst businessmen are rarer than millionaires, and we give their manuscripts far more consideration than those from university or government.—Ed.

Company Organization Charts

. . . Reading through carefully the reasons given by several companies for the non-use of formal organization charts, I feel that they are the best advocates for the use of such charts. I think it hard to go further than the top level executive who answered your questionnaire, "A number of top jobs

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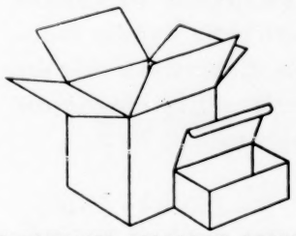

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About Our Authors . . .

Edward E. Reilly, F.R.S., F.R.Econ.S., Professor of Economics at the University of Western Ontario, is a member of the Advisers to the Prime Minister of Ontario on Federal-Provincial Relations. He served on the committee to study the economics of the gold mining industry in Ontario (whose report has just been published).

Jean Sherlock combines studies at the U.W.O. School of Journalism with caring for her home and family. She is a University of Toronto graduate in Household Economics.

A graduate of Harvard University and a U.S. Navy Lieutenant in World War II, **Joseph H. Flynn** joined R.C.A. Victor in 1948. He is now Director of Materials for the Canadian company in Montreal.

Harvey M. Clarke has had a varied career in advertising. For three years he was Advertising Manager of Capital Records of Canada; he worked with Cockfield, Brown & Company and the Kitchener Record. He is now Promotion Manager for CFPL - Radio.

Barbara Langtvet, artist of our sketches, is a graduate of McGill University, studied at the Cranbrook Academy of Art in Detroit, and in New York. She worked in textile design in Norway and has exhibited paintings with the Western Art League in London and with the Young Contemporaries show across Canada.

Dr. Gordon H. Turner is head of the Department of Psychology at the University of Western Ontario. He is a past president of the Ontario Psychological Association, a member of the Board of Directors of the Canadian Psychological Association and a consulting editor of the Canadian Psychologist. In the summer of 1953 he attended the National Training Laboratory in Group Development at Bethel, Maine, and he has been conducting human relations training groups for interested students each year since. His article "A Factor Limiting the Effec-

(continued on page 81)

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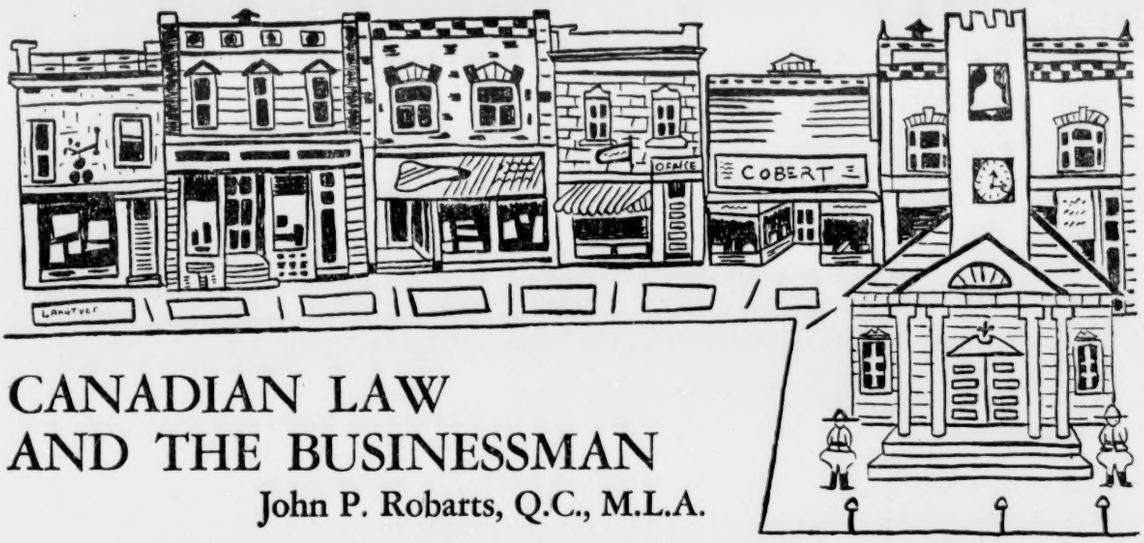


CANADIAN LAW AND THE BUSINESSMAN

John P. Robarts, Q.C., M.L.A.

This is the first of a new series. Each quarter John P. Robarts, Q.C., member of the Provincial Legislature of Ontario, will bring us up to date on law changes affecting business. These may be new laws passed by Provincial or Federal Government or case decisions made by judges. Some businesses have no full time lawyer, yet it is absolutely vital to keep up to date with such law changes.

OUR present Canadian system of registration of liens and encumbrances and of protection of both lenders and second-hand buyers is breaking down. This is the result of the increasing importance and mobility of the motor car. It has become the repository of the family wealth, a necessity in earning a living, and the security for cash with which to meet domestic emergencies. In 1954, in Ontario, alone, a total of 224,471 vehicles, new and used, were financed for a total of $243,299,000. At present a lien or an encumbrance on an automobile is filed in the County Court Office of the county in which the transaction takes place. This filing protects the lender and gives him a prior claim for the amount advanced over any purchaser or subsequent encumbrancer of the automobile.

But to protect oneself as either buyer or lender it is necessary to carry out a complete search of the records in each of the forty-one County Court offices in the province. This procedure is too cumbersome and too costly to be practical, and in fact it seems that the professional dealer takes his chances and absorbs his losses (ultimately to pass them on to his customers, the general public) and the private individual is often victimized.

In April 1954 the Provincial Government of Ontario appointed a Select Committee to examine existing legislation and practice in relation to the registration of conditional sales contracts and similar documents of title and pledge, particularly in connection with motor vehicles.

After hearing much evidence and visiting eight U.S. states and three provinces of Western Canada, the Committee reported and its

recommendations were embodied in Bill Number 125 introduced in the Legislature in 1955. This Bill was given one reading only, and the Committee was reconstituted for further study. Many more submissions have been made to the Committee, and the Bill, with proposed amendments, is of great interest to all businessmen. In general terms it provides as follows:

Each vehicle registered in Ontario will have a "Certificate of Title". On this document appear all liens and encumbrances against the vehicle, and an innocent third party either purchasing the vehicle or placing a further loan thereon, is entitled to rely on the information contained in this certificate. Thus the responsibility of seeing that an encumbrance is listed on the certificate falls on the lender. It is anticipated that the average vehicle owner will retain the certificate of title in a place of safekeeping and will produce it only when he wishes to sell or borrow on the vehicle.

In the event of sale of the vehicle, there is provision made for transfer on the certificate of title itself. The buyer then forwards the certificate to either the Registrar of Motor Vehicles in Toronto or the local issuer of licences in his community, who in turn will forward it to the Registrar. A new certificate is then issued to the new owner.

When a loan is to be entered on the certificate of title, a true copy of the encumbrance is filed in the office of the local County Court Clerk. He forwards the original and the certificate of title to the Department of Highways in Toronto where the Registrar of Motor Vehicles notes the encumbrance on the certificate of title and returns it to the owner and returns the document to the County Court Clerk, who holds it for inspection by any member of the public who may be interested.

The advantages of the scheme are obvious:

1. The certificate of title protects an innocent third party, either purchaser or lender.
2. The certificate of title makes the vehicle instantly negotiable by providing a clear title to owners.
3. The certificate of title makes sale of a stolen vehicle extremely difficult and acts as a crime deterrent.

The disadvantages, while possibly not so obvious, are:

1. The expense involved in paying for new certificates and endorsements.
2. Possible administrative delay in handling the certificates.
3. Doubt as to whether the evils which the legislation is designed to cure are of sufficient importance to merit the administrative expense.

It must be emphasized that this proposal has not yet been accepted by the Legislature, and the final form of the legislation has yet to be settled. In the meantime, further submissions are being considered from interested organizations and final disposition of the problem should be accomplished in 1956.

The Future of the Canadian Dollar

Edward E. Reilly

During the past four years the Canadian dollar has exchanged at a premium over the United States dollar, averaging two percent. Currently it is close to par. During 1951 it was at a discount of over five percent. What is likely to be the exchange rate of the future? A correct forecast is of critical consequence to the Canadian economy. The producers of primary products for export — agriculture, mining and forestry — are directly affected, but it also has commercial and financial repercussions affecting everyone.

THE Canadian dollar was at par with the United States dollar from 1878 until 1914. During this time, the money of both countries was redeemable in gold at the rate of 23.22 grains of gold for one dollar. In 1914, when Canada abandoned the gold standard, the Canadian dollar went to a discount in terms of the United States dollar and so remained for most of the next twelve years. On July 1, 1926, Canada again adopted the gold standard, but it was quietly given up during the autumn of 1928 and the Canadian dollar again declined in value in relation to United States dollars. A modest discount prevailed until September, 1931, when England abandoned the gold standard and the pound declined drastically in value in New York. The Canadian dollar declined to a position somewhat intermediate between that of the English pound and the United States dollar. The rapid collapse of the United States banking system, which forced President Roosevelt to declare a bank holiday in 1933, provided a background under which the Canadian dollar rose to sharp premiums over the United States dollar for a few weeks.

Until the outbreak of World War II, the Canadian dollar was usually under some pressure and the pressure became so severe during the war that United States dollars were drastically rationed even at a premium of ten percent. On July 5, 1946, the pegged official rate of the Canadian dollar was raised to par with the United States dollar while some of the war-time restrictions were still in effect. The devaluation of the English pound by 30½%, September 18, 1949, led the Canadian Government again to lower the official value of the Canadian dollar to ninety U.S. cents. By 1952, most of the war time restrictions on exchange had been removed and the dollar was freed from all controls and allowed to find its own level in the exchange markets. Since that time, the dollar has usually stood at a premium, sometimes as high as four percent, over the

United States dollar, despite the fact that from 1928 until 1952, with the exception of three years (1937, 1947 and 1948) the Canadian dollar was at a discount in New York.

Why a Discount?

On account of our northern climate, Canada cannot produce the tropical and semi-tropical products which include many of the luxuries and some of the essentials of the world. To live well, the Canadian people must be heavy importers of a multitude of products. These imports are normally paid for by the exportation of the products of the farms, forests and mines. The history of the prices of these export products in the world markets has been one of violent fluctuations. The market for farm products is notoriously unstable and the market for some metals has been equally precarious. At the first suggestion of a loss of confidence in the financial and economic stability of the world, the market for Canadian exports declines rapidly and the Canadian dollar is immediately under pressure. Continued bad markets for Canadian exports inevitably result in a declining exchange value of the dollar. A glance over the records of the past forty years shows that for most of this time the Canadian dollar has been under considerable pressure. While discounts up to ten percent were common, in some cases a discount of over twenty percent occurred.

In contrast to this picture of the past, however, the growing diversity of the Canadian economy and the wider range of commodities which are being produced for export tend to reduce the likelihood of exchange depreciation. With a wide range of export commodities it is not so probable that their markets would all decline at once. Indeed, in the long run, as Canada grows in population, economic strength and diversity of products, our dependence on international markets could be reduced.

Foreign Financing of Capital Projects in Canada

The railways of Canada were built with funds provided mainly by England and United States. For most of this period Canada was on a gold standard. Consequently, this foreign lending had no effect on exchange rates, although it did result in substantial accumulations of Canadian held funds in New York. When important portions of the present national railways' system were built in the early 1900s, railway bonds were sold in New York for United States dollars. The Canadian banks advanced Canadian dollars to the railways in exchange for the borrowed United States dollars. As the railways were borrowing as much as $400,000,000 a year, the Canadian banks consequently held very large New York balances which were safely and profitably loaned there on the call money market. When Canada abandoned the gold standard by

Order in Council in 1914, the banks were able to satisfy a high consumer demand for United States dollars for a great many years from this accumulation. Thus, as a result of extensive railway building financed by stocks and bonds sold in foreign markets, the people of Canada, on occasion and for limited periods of time, have lived beyond their current income.

After a country has borrowed abroad, the time eventually comes to pay interest or dividends to the foreign security holders. If we in Canada import more consumer goods than usual while foreigners are investing here, we may expect to import less than usual when the time to pay interest and, possibly, repay capital arrives. Certainly, just as exchange rates strengthen while investing is taking place, they weaken as exchange is purchased to pay interest and dividends. The degree to which the Canadian economy will be adversely affected depends upon many factors. If foreign investments are badly made in ordinary shares and not in bonds, there need be no dividend payments. On the other hand, if foreign investors invest very efficiently, some of the substantial advantages to Canada will be counterbalanced by a weak exchange when the profits are transferred.

The difficulties which a debtor country can face were experienced by Canada during the early 1930s. Investing had almost ceased and the markets for Canada's export products had faded or disappeared. Service charges on foreign investments had consequently serious repercussions on the Canadian economy. During those years the drastic decline in export markets and the turn of the terms of trade against Canada produced a financial crisis. Dividend and interest payments due to foreign holders equalled about half of the value of Canada's exports. The degree of this pressure was indicated by the drastic decline in exchange rates during the year 1932, when the average discount on the Canadian dollar was 11.9% in New York. (During the same year sterling exchange showed an average discount in New York of 27%, but this discount, though substantial, was not as serious as the 11.9% was to Canada because the terms of trade had turned as strongly in favour of Great Britain as adversely against Canada owing to the nature of our respective imports and exports.)

During the past three years Canada has felt the effects of a heavy United States investment programme in Canadian industry and resources. With an inconvertible paper money system this unusual demand for Canadian dollars has resulted in a substantial rise in the exchange rates and an almost embarrassing supply of United States funds. Other things being equal, the Canadian dollar will remain at a premium as long as it is being heavily purchased by United States investors. On the other hand, the speed with which the position can be reversed was indicated by the drop in the Canadian dollar to par shortly after the illness of President Eisenhower.

When foreign investing in Canada stops, as it must some day, exchange will be depressed in two ways as explained above. Not only will the upward pressure of foreign investors buying exchange have stopped, but a reverse movement will occur from the continuous selling of Canadian dollars to pay interest and dividends to the foreign security holders. But the effect of this selling pressure on exchange rates may be modified by the very nature of the new capital equipment in Canada as a result of the foreign investment. Assuming that Canadian productive efficiency is increased by this foreign investing, for example, the production of motor cars in Canada for the Canadian market and also their sale in foreign markets clearly will strengthen the Canadian dollar. The incidence of any increased efficiency from foreign investing on exchange rates will depend upon the ability to find new foreign markets commensurate with this increased productivity or to supply to the domestic market a product which previously had been imported.

It thus depends on the nature of the foreign investment, what effect it will have on the dollar exchange. Whereas the development of transportation facilities (water, rail, motor and air) all added to the amounts of fuel and oil which Canada had to import, the discovery and development of extensive domestic oil and gas fields should eventually replace much of the imported product and even lead to a net dollar income through exports.

Foreign investing in Canada also takes the form of the outright purchase of recreational areas along our lakes and streams. Fishing rights are bought or rented on long term leases. These sites can be sold only once and any strengthening of exchange rates from this liquidation of national assets can be only temporary.

Government Monetary and Fiscal Policies

During the past twenty years governments have realized and accepted the possibilities of contra-cyclical monetary and fiscal policies. While these topics are old in the discussions of economists it needed the dramatic presentation of the late Lord Keynes in 1936 to bring them into political focus. Keynes considered fiscal policy more than a full partner with monetary management as economic stabilizers. The government of Canada, however, has tended to show less interest in fiscal policy and give more emphasis to contra-cyclical monetary policies.

The repeated suggestions that the Federal Government meet the heavy winter unemployment of 1954-55 by a substantial programme of public works did not evoke a favourable response from Ottawa. Nor has the Federal Government shown any great interest in recent proposals for public works to be jointly planned and financed by the Federal and Provincial governments and put into effect if and when serious unemploy-

ment appears. There are at least two reasons why public works might not be favoured as an employment-providing measure under current Canadian economic conditions. Agriculture in particular and the textile and electrical industries among others have been faced with heavy foreign competition. The attempt of any of these industries to meet foreign competition, either in the domestic or international markets, so it is argued, would be further handicapped if the Government should establish public works to compete for the domestic supplies of labour and materials. In addition public works are not easily turned on and off as needed. It is logical then to attempt to ease a seasonal unemployment situation by more easily manageable methods.

The most important economic force, primarily within the control of the Canadian people and capable of quick and effective changes, lies in contra-cyclical monetary management. During recent years a substantial amount of national independence has been demonstrated in this field. It was expected that the monetary policies of all countries subscribing to the Bretton Woods Agreements would come under the guidance of the International Monetary Fund. In practice Canadian monetary management has not been thus inhibited. The Federal Goverment, through the Bank of Canada, is the monetary authority of the nation.

The rapid development in economic thought in recent years has introduced new attitudes and new methods of analysis. More statistical material is becoming available covering every sector of the economy, even though the economy itself is becoming more complex. A pattern of economic opinion and a pattern of government action is beginning to emerge. In the Western world, governments have only accepted recently, and with many limitations, the concept of government responsibility for wide areas of social and economic welfare. Indeed, until twenty years ago governments would have vigorously denied the possibility of impersonal financial management materially affecting economic activity, or at least affecting it for the better. During the intervening years this has changed and economic cause and effect relationships, long suspected and discussed, have since been p r o v e d and demonstrated through political action.

There is probably less general unanimity on economic objectives than on the means of obtaining them. A national economic policy cannot be a simple thing. It would involve at least a standard rate of

economic growth and a standard degree of stability to make possible a continuity of growth. Even these limited objectives would entail considerations such as the trend in prices, the proportion of products and services used for consumption to those used for capital purposes, the degree of unemployed productive agents to be tolerated, the desired exchange rate, the pattern of interest rates and other economic considerations. Suffice it to say that the rate of exchange for the Canadian dollar is only one of many considerations.

During the year ending October 1955, the supply of money in Canada was increased approximately ten percent. Some of the objectives of the monetary authority in taking this action may be assumed with considerable confidence. Seasonal unemployment in Canada was unusually high during the winter of 1954-55, and an easy money policy was a logical development in such circumstances. The foreign demand for a number of Canadian exports, and especially for farm products, had been weak with sagging prices, while since 1952 the exchange value of the Canadian dollar had been high. An easy money policy was expected to lower the exchange value of the dollar, and thus increase the domestic dollar price of all exports. The decline in the exchange rate to par or less in October and November suggests the measure of success attained by using monetary policy to influence the exchange rate.

A full easy money policy for Canada would involve a schedule of low interest rates paced by a low central bank rate. Such a policy has been followed until recently when some rises in the bank rate have occurred. But the rate is well below those of the Federal Reserve Banks and greatly below the very high rate of the Bank of England. It may be assumed that if the Bank of Canada further raises interest rates, it will be sufficient only to neutralize the worst effects of high rates abroad.

Conclusions

1. The history of the Canadian dollar shows that it tends to be at a discount except when United States is making heavy investments in Canada.
2. Canada is a heavy importer and the markets of the world for Canadian export products in the past have proved to be unstable.
3. Heavy foreign investing in Canada implies heavy annual future payments of interest and dividends in the opposite direction. Only improved foreign markets or greatly increased comparative ability to supply these markets will ease the exchange pressure of the future.
4. It is within the powers of the monetary authority by means of monetary management to lower the exchange value of the dollar substantially, and with the concurrence of the International

Monetary Fund, to lower it to any point desired. England reduced the exchange value of the pound 30½% in one move in 1949. It is assumed that under financial difficulties or depression no government would now dare to deflate the economy to raise exchange rates.

5. Politically and economically the short-run outlook for much improved foreign markets is not good.
6. In fuel and power Canada is becoming distinctly less dependent on foreign sources. But the demand for travel and semi-luxury goods is growing.
7. Canada has been selling and may continue to sell to foreign buyers the recreational areas on the lakes and rivers of the country, thus temporarily strengthening exchange.
8. It is estimated that the exchange value of the Canadian dollar will fall:
   (a) on every sharp decline in the various forms of foreign investing in Canada.
   (b) on every major decline in our export markets.
   (c) when we decide to make it decline as official monetary policy.
9. At the moment no attempt is made to predict when any of the above contingencies may occur.

What Makes a Manager?

Spurred by the Anglo-American productivity reports and by the Report on Education for Management, "deeply impressed by the steps taken by American business to educate, train and develop its future business leaders" and convinced that "these efforts have had a vital bearing on American productivity", The Economist of December 17, 1955 concludes that, for Britain,

"The immediate task is to improve the contact between classroom and boardroom . . .

"The primary needs are:

1. Colleges should have a staff adequate to allow teachers to specialize in two or three management subjects.
2. The staff should, further, be large enough to give teachers time to spend in industry, or to alternate between industrial and educational employment; and, in particular, to take consultancy work at appropriate fees.
3. It should also be large enough and of sufficient calibre for the college to be able to undertake serious research.

"Alternation between teaching and managing is vital. . . . Consultancy is to management instruction what pure research is to university teaching. Out of research and consultancy work will come both living and written 'case studies' which are the anatomical specimens of management seminars."

Joseph Jeffery, Q.C.

Jean Sherlock

Continuing our series of biographies of Canada's businessmen written by U.W.O.'s students of Journalism, The Business Quarterly presents Joseph Jeffery, Q.C., lawyer, banker, businessman and naval officer. To mark the advent of 1956, he was signalled for distinction as Q.C. Since the writing below, his toll-road proposals for South Western Ontario have been discussed by a provincial committee in Toronto. Like his predecessors in this series, Mr. Jeffery makes time for many extra-curricular activities, and not least for his contribution as Governor of the University of Western Ontario.

JOSEPH JEFFERY believes that nobody should pass up an opportunity to try something new, because "the more you do the more you learn". One of the busiest men in Canada, he has a breadth of interests embodying this philosophy. Although president of Canada's second largest insurance company and senior partner in Western Ontario's largest legal firm, he also finds time to serve as officer or director of 20 other businesses and commercial enterprises and to throw himself wholeheartedly into a dozen different hobbies and community organizations.

Mr. Jeffery's office in downtown London, Ontario reflects his interests and the breadth of his friendships. On one vivid sea-blue wall hangs a large relief map of Canada. On a second wall hangs a framed horse print. In a grouping on a third wall are photographs from which can be traced much of the story of his life. Flanking his Osgoode Hall '30 graduation picture are family photographs, group pictures of his Navy days, presentation of his OBE by Governor-General Alexander, Board members of the Toronto-Dominion Bank, a hunt in 1952, and autographed portraits of such notables as Angus Macdonald and Brooke Claxton, — "to my friend and toughest competitor, Joseph Jeffery". Taking off his horn-rimmed glasses and twirling them by the side piece, he points out one of his favorite pictures. "This is a photograph of my father in his later days", he explains, "he took up riding and jumping at 63 and continued until he was 75".

A tall, lean man with jet black hair greying at the temples and a forelock which has a tendency to fall forward as he speaks, Joseph Jeffery displays a ready wit and radiates a tremendous zest for life. In

dress he tends towards the conservative—dark, well-cut suits, narrow striped ties, black homburg—but can be equally at home in hunting pinks or the checked vest and baggy tweeds which are his usual week-end wear.

Joseph Jeffery was born in London, Ontario in 1907, first of four sons born to J. Edgar Jeffery and Gertrude Dumaresq Jeffery. His ancestry is brilliant and varied—Channel Island French and Irish stock on his mother's side and English on his father's side. As eldest son of an eldest son, he was bound to be christened Joseph, a tradition in the Jeffery family for generations.

His paternal grandfather, who came to London from Ipswich, England, was a colorful, irrepressible man given to country squire type of dress. As president of the London Life Insurance Company, he used to appear each morning to sign papers, with a pair of bird dogs on a leash, much to the consternation of the employees. "Grandfather was a born promoter", says Mr. Jeffery. "He started Molson's Bank here, the London Life Insurance Company and the Ontario Loan and Debenture, a small but profitable mortgage firm". One of Mr. Jeffery's earliest memories is of Sunday dinners at his grandparents' home which was built in 1857 and has since been torn down to make way for apartments. On these occasions grandfather would amuse the grandchildren with sleight-of-hand tricks while carving the Sunday roast of beef.

Mr. Jeffery's paternal grandmother was a businesswoman who raised seven children in addition to running a brokerage firm in London, and it must have been an unusual sight in those days to see a carriage drawn up at the door each morning to drive grandfather and grandmother to their respective places of business.

J. Edgar Jeffery, Joseph's father, carried on in the family tradition, studied law and founded the firm of Jeffery & Jeffery with his brother. He was a man with a great diversity of interests, including speedboat racing, sailing, farming and horse breeding. "My father was always very thorough at anything he did", recalls Mr. Jeffery, "reading everything he could find on the subject. He even read the Encyclopaedia Britannica three times from cover to cover".

Edgar Jeffery didn't believe in private school education, so the young Jefferys attended London public schools and London South Collegiate. Regarding education, Mr. Jeffery thinks a combination of both public and boarding school best. "Every child should get away from home at some period", he says, "and at boarding school he makes future business friends from other cities".

Following graduation from Osgoode Hall in 1930, he joined the firm of Jeffery & Jeffery and as his brothers graduated, they too entered

the firm. Alex. Jeffery is a former Liberal MP who did not run for re-election in 1954; Gordon Jeffery is an outstanding organ recitalist who is also a world and Olympic judge in both dancing and figure skating under the International Skating Union. He holds the Silver Medal in both dancing and figures. Ted Jeffery spends most of his time around the office.

Joseph Jeffery's war record is impressive. Joining the Navy in early '40 as a Pay Lieutenant, he served progressively as Secretary of the Naval Intelligence Department, Secretary of Naval Staff, Deputy Secretary of the Naval Board and as Secretary of the Naval Board for the last two and a half to three years of the war. He was appointed a member of the Naval Board in 1944—the only volunteer reserve member, and was retired with the rank of Captain (S). His OBE citation reads in part—"for outstanding organizing ability, perseverance and judgment and successfully hurdling the many obstacles encountered in this appointment. By working long hours and with intense concentration to details he has contributed greatly to the success of the Naval Secretariat". Mr. Jeffery is still actively interested in the Navy and is a director of the Naval Benevolent Fund.

Back in civilian life, Captain Jeffery returned to London to practise law with his father and brothers, and subsequently became a director of the London Life Insurance Company, then vice-president, then president in 1953. He is vice-president of the London Winery.

The Jeffery brothers' business set-up is based on the organization of the Mellon empire, a pattern which Joseph Jeffery greatly admires. The brothers share everything equally. Everything each one makes goes in the pot and they take out equally.

The family holding company, Thames Valley Investments Ltd., holds the father's estate. The four boys have equal shares and through it they own large interests in the London Life, the Ontario Loan and Debenture and smaller investments in other enterprises. When J. Edgar Jeffery died in 1951, Joseph, not content to sit back, persuaded his brothers to seek new fields to conquer. They formed Forest City Investments Ltd., another holding company in which the family company has 50 percent interest.

The new company has bought a dairy, set up two realty companies to buy, build and manage apartment houses, formed University Heights Development Company Ltd., to lay out a large housing subdivision northwest of the city, and has an interest in the Brass Rail, London's largest bar and night club. The first sod has recently been turned on an even larger subdivision just across the road from the University Heights development. This new subdivision comprises 200 acres with

457 lots. The Forest City company also owns 30 percent of a two million dollar, 7-storey office building, known as 200 Queen's Ave., Ltd., already under construction.

Another recent venture has been the formation of a new company to build a radio station, which Mr. Jeffery says they hope to have on the air by April 1.

While the family's insurance and banking fortune has grown national in scope, all the new business is local, in and around London. Mr. Jeffery explains, "if you are going to take part in anything, you've got to feel you are morally responsible for its actions, so you've got to be right in them and keep an eye on them. It's so much simpler to have all our eggs in London. They aren't all here, but most of them are".

Recently Joseph Jeffery embarked on his biggest operation yet—he organized a group of Canadian and American financiers to build a 220 mile toll expressway from Windsor to Niagara Falls, to cost $152 million. The new road would provide a Detroit-Buffalo shortcut for the 8 million American motorists who enter Canada each year, more than half of them from Buffalo, Niagara Falls and Detroit. The idea of the expressway was conceived by Capital Engineering Corporation of Dillsburg, Pa., who proposed a southern Ontario expressway as a natural link between the proposed Michigan turnpike and the New York Thruway, and asked Joseph Jeffery if he would try to swing the project.

The proposition was first submitted to the Ontario Legislature's toll road committee when it held hearings in December and January. All the promoters required from the province was its power to expropriate land. Says Mr. Jeffery, "this road has to be put through by expropriation because long straight-aways are the lifeblood of an expressway. So the company has to be non-profit if the land is going to be expropriated. The company will issue bonds to build the road, pay off the bonds out of tolls and when the road is paid for turn it over to the province."

Mr. Jeffery has had experience with this type of financing. He is honorary president of Covent Garden Building Inc., a non-profit company that is putting up a market and parking building in London's market square.

As both grandfather and uncle had been bankers, it is perhaps not surprising that Joseph Jeffery should be interested in the world of finance. Having served on the executive committee of the Dominion Bank, he was elected director and member of the 6-man executive committee for the Toronto-Dominion Bank after the amalgamation last year, and served as interim chairman last summer. Through his banking experience, Mr. Jeffery feels that he has gained greatly in experience and outside contacts.

The Jeffery working day begins at 9 a.m. During the morning he gets in touch with his enterprises to see if there are any pressing problems, then walks three blocks to the new office building to see how it is coming along. Then he strides another couple of blocks to the London Life. He has an executive meeting at the insurance office nearly every day. One day a week he spends in Toronto.

Dozens of phone calls pour in during the day but all receive attention. "Mr. Joe will see anyone who comes in the office", says his secretary. "He answers all calls and never puts anyone off despite a very heavy schedule". He counts himself lucky if he can get home by 6 p.m., and although he is trying to drop night work, he is out almost every evening on some community project.

Regarding community projects, Mr. Jeffery feels that a business executive should take an active part and contribute his capabilities and leadership to a variety of organizations. He rates highly the value of outside studies, terming technical studies a "must" and cultural studies "if possible" in order to broaden the horizon and help make outside contacts.

In service and cultural fields Mr. Jeffery has taken a prominent part, not only locally but on a dominion-wide scale. He is a director and member of the executive committee of the Canadian Council of Christians and Jews, a national organization devoted to "the promotion of understanding and co-operation between Canadians of different religious denominations and strengthening and extending the ideal of brotherhood both within Canada and the world community". Last February, at a special ceremony, Joseph Jeffery, along with Honorable Paul Martin and O. B. Rogers, vice-president of Shell Oil Company, was presented with one of the Council's Human Relations awards presented to Canadians who have made an outstanding contribution to the organization.

Mr. Jeffery is also vice-president of the John Howard Society, an organization interested in rehabilitation of prisoners, president of the London Branch of the United Nations Association, president of the United Services Institute (Tri-Service), a director of Civil Defence, first vice-president of the Ontario Chamber of Commerce and vice-president of the London Chamber.

Educational pursuits too have not been neglected. He is a governor of the University of Western Ontario, honorary president of the London Pre-School Association and a member of the Baconian Club. In all these organizations, he is not just a joiner, but a working member, who attends meetings and gives papers.

Mr. Jeffery feels that the whole secret of success is the willingness to work long hours and the ability to relax whenever the opportunity

offers. "If I had my way I would make every executive over 40 lie down for half an hour each day. Executives have cost $25,000-$100,000 to train. If you spent that much on a machine you would at least stop it to oil it, wouldn't you?" he asks, shoving his glasses further down on his nose and peering over the rims in a characteristic gesture. In this too, he practices what he preaches. Every working day he takes a nap on a couch in one of his offices, and despite his busy schedule, finds relaxation in a variety of hobbies and recreational pursuits.

Since the age of 14, Joseph Jeffery has been a licensed radio amateur. His great love was—and still is—electronics, and he is never happier than when operating or repairing the radio receiving-transmitting equipment in his home, office or car.

In a corner cupboard in his office there is a built-in all wave radio receiver with space for a monitor for his radio station when it is built, and a television receiver. All this can be controlled from his desk. He has a telephone table with the only conference phone of its type in London and one of the five or six in Ontario. The law firm's Toronto office has another so that telephone conversations can be held comfortably. By pressing a button, every word coming from the receiver can be heard by everyone in the room, which facilitates discussion with an absent party during meetings. He has a transmitter in his car and about ten transmitters at his home. Some he built himself and others are conversions of war surplus equipment.

From station VE3GB, the Jeffery call letters, Joseph Jeffery has contacted over 150 different cities throughout the world. On one occasion a South American doctor visiting in London talked to his wife in Rio de Janeiro for over half an hour, and at another time Mr. Jeffery was able to locate an English friend visiting New York by contacting a ham operator in London, England, having him call the friend's home and find out where he was stopping in New York City.

"He used to get in about a half hour's sending time before breakfast but lately hasn't had as much time", says Mrs. Jeffery. At one time he used to chat with a rancher near Calgary known to him only as "Bill". Some time later when the London Life manager was in town, he relayed regards to Mr. Jeffery from "Lord Rodney", who wanted to know when he would be out West. Mr. Jeffery was rather puzzled until it was explained that "Bill" was no less than a member of the British nobility who had purchased a ranch near Calgary and set up an amateur radio station.

It is natural that with his love of electronics, Mr. Jeffery should be interested in several companies in the electronics field. One of these is Rediffusion Ltd., an English firm with Canadian head office in Montreal, of which he is a director. He is director of Community TV Ltd., in south London.

In the pine-panelled recreation room at the Jeffery home a few miles northwest of London is a complete wall of almost life-sized vividly-colored murals depicting his hobbies and interests. "Ham" radio is represented, as is weaving, duck shooting, hunting, fishing, skiing (with daughter Elizabeth) and farming. The Navy, too, is pictured, and family life holds sway in old-fashioned melodramatic style. The mural was conceived by Mr. Jeffery and painted by James Kemp, O.S.A.

At one time Mr. Jeffery was interested in acting—he once took the lead in a London Life play and has acted in two or three Studio Club productions. Now however, this interest is confined to being a director of the London Little Theatre. At one time he tried his hand at ceramics and still has a kiln in the basement plus an assortment of glazes, but would like a wheel and a modern oven that shuts off when things are done. With the present kiln, he used to sit up until 3 or 4 a.m. to turn it off. At various times he has tried welding (he once took a complete welding course) and beagling (Mr. Jeffery used to have a beagle pack and at one time ran an organized beagle hunt — the Hanley Cross Hounds). Until a year ago he farmed 200 acres but now rents the land as time does not allow for proper supervision.

Of recent years his main recreational pursuits have been riding, hunting, boating and fishing. At the Jovial Fish and Game Club north of Ottawa he usually manages to get away for a week each summer and gets in two or three weekends of flycasting at the Caledon Mountain Club throughout the year.

He used to do a great deal of horse breeding and the stable at his suburban home still houses two brood mares, three colts and four riding horses. As Joint Master of the Fox Hounds at the London Hunt & Country Club, he hunts nearly every Saturday and usually manages a ride sometime each Sunday.

Last summer Mr. Jeffery bought a 30 foot twin screw express cruiser, which is now loaded with radar equipment. "I built a new homing device for the RDF set on the boat and a variable pitch horn of which I'm very proud. I have orders for three more if I ever get around to building them," he says in his usual enthusiastic fashion.

To keep himself organized on his busy schedule, he has four diaries —all kept up-to-date on social and business appointments. One is in his own pocket, one on his desk, one kept by his secretary and one by his wife.

Mr. Jeffery's wife, Nonie, used to do considerable acting in the London Little Theatre and hopes to return to it when the children are older. Small, dark and vivacious, she is a charming hostess who enjoys entertaining their frequent out-of-town guests, who have included in recent years such varied and interesting people as General Critchley, Admiral de Wolfe, Max Friedman, Maxwell Cohen, Edgar Burton.

Joseph's eldest daughter, Elizabeth, seems to be following in her father's footsteps. Presently attending the University of Western Ontario as a third year student in Music, Elizabeth is also an adept horsewoman and is very interested in most sports. She was soloist with the Bishop Strachan School choir when the choir sang at the Coronation. The Jefferys have three small children, Joey, 4½; J. G. (for John Gordon), 3; Alicia, 1½.

Despite the many demands on his time—a London Life meeting every day, bank meeting every week, bar conventions, Chamber of Commerce conventions, regional conferences, etc.—Mr. Jeffery is a very human person, well-liked and respected by both associates and employees. With his employees he demands high standards but gives credit where due. He has lunch at the London Life three times a week and usually makes a point of sitting at different tables to get to know everyone. Among London Life employees he is known as an approachable man who can always be reached for consultation and advice.

His small boy enthusiasms are the delight of his staff. The Jeffery law office is just 100 yards from London's central fire station and Joseph's office window opens onto the street. "Every time a fire siren goes, he leaps to his feet and runs to the window", says his secretary, who "would rather work for him than anyone in the office".

"He is always cheerful—strides in with a grin and a pleasant greeting. He gives you a lift", is the way another employee put it.

Enthusiastic, versatile, gregarious, with an enormous capacity for hard work, Joseph Jeffery can be truly termed a self-winder and a creative thinker. Undoubtedly, next time he gets a chance to try something new, he will go on proving that "the more you do, the more you learn".

The Empty Chair

"A conference may be just a chance meeting at the elevator button. It may be the interruption that calls you out of a big meeting for a brief exchange in the hall. Recognize it and don't sleep through it. Because it is also a contest.

"At every business conference, whether it is convened in the executive suite or on the production floor, there's an empty chair. It stands at the head of the table and dominates the proceedings. It speaks with a big, booming, silent voice that rings with authority. No one, not even the president or the chairman of the board, can shout it down.

"The chair is occupied by a strange and unaccountable combination of exigencies, experiences, opinions and philosophies which have accumulated through the years of corporate life and have emerged as a nebulous set of beliefs that have taken on the authority of law. This accumulation has a name. It is called "Company Policy".

"Know your Company's Policy—go along with it or change it; but don't try to make it the fall guy for your own shortcomings."

—*"How to Win the Conference" by William D. Ellis and Frank Siedel.*

How to Prepare a Press Hand-Out

FORMAT: Quarto or foolscap sheet, *double spaced* typing or duplicating, using *one side of the paper only.*

LENGTH: Keep the story short. There are few that cannot be told in 300 words. If the editor wants elaboration he will ask you for it.

STYLE: Aim to give the essence of the story in the first sentence or paragraph wherever possible. (Some newspapers may then use this as a separate item, even if they decide that the whole story is too long for inclusion verbatim and too dull to be worth the trouble of re-writing.) Moreover, a long introduction may cause some news-editors to throw the item away before they have read as far as the main point.

Put a heading at the top which gives the essentials of the story: don't leave the reader guessing (e.g. don't say "Big firm's new invention," but "London man invents electrical mouse-trap.")

Write concisely. Try not to mention the firm's name and address more than once in the story. (The item has got to qualify on its merits as news, not as advertising.)

EMBARGOES: Never put a restriction on your story if you can possibly help it. An editor likes to think that, once it is in his hands, he can use your material whenever and however he wishes. It irritates him to be told it must not be released until next Thursday or must on no account be publicized in some particular area.

SERVICE INFORMATION: At the top or bottom of your sheet, and spaced away from the main text, give the name and address of the firm and the name and telephone number of the Press Officer or executive who can be approached for further information, and say whether pictures are available on request. Give the date of issue.

FOOTNOTES: The text of the press hand-out can sometimes be lightened by putting any statistical material (appropriate production or export figures, for example) as a footnote.

ADDRESSING: Address the hand-out to the editor of your local weekly or your trade paper, to the news editor of any daily paper. There is no need for a covering letter, but if you do send one let it simply express the hope that the item will interest him — don't try to give him instructions or suggest that you are doing him a good turn.

NOTE: If you are sending a story to a trade or technical paper, it may be useful where possible (for example, if you are a textile firm) to send a small sample. This gives the editorial staff the opportunity to s'ressing new or novel qualities.

(*From "Telling Industry's Story Overseas", Federation of British Industries.*)

Buying Your Way to Profits:

The New Role of the Purchasing Agent

J. H. Flynn

Modern business cannot operate without the efficient procurement of materials, supplies and equipment. Efficient procurement means that industry has these materials, supplies and equipment available in the proper quantity, with the proper quality, at the proper time and place, and at the proper ultimate price. Failure on any of these points adds to costs and decreases profit as surely as do old-fashioned manufacturing processes and out-moded selling techniques. The recognition of this fact, somewhat belatedly, is the reason for the tremendous strides that are now being taken in th science of industrial purchasing.

THE responsibility for purchasing goods at the right time, the right price and of adequate quality is vested in the Purchasing Agent. In its narrowest sense, purchasing has meant the obtaining of goods at a price. Its concepts now embrace a wide range of managerial activity and responsibility. Foremost of these are:

His Duties

1. *The scientific study of materials and sources to ensure that what is bought is right for the intended use and that the suppliers are the proper sources for that material.*

The study of materials is encompassed broadly in the term "value analysis", which is the study of function — the job that a part, material or service does. In buying steel a Purchasing Agent buys a mechanical support; in buying paint he buys surface protection and decoration. "Paper" is specified on a requisition, but what is really wanted is "something to write on". The value in a lamp is the relationship of price to light. Value is not controlled by the amount of steel or brass purchased per dollar, at the lowest price obtainable, but by the amount of a necessary service or function which is performed by the material the dollar has bought. The object of research into materials is to provide a way for buyers to arrive at either a functional service or a functional product at lowest ultimate cost.

Hand in hand with "value" analysis is the analysis of proper sources of supply. The right source is not necessarily the biggest of its kind in industry. The supplier can be large or small, but he must have the capacity and "know-how" to handle the business efficiently and competitively. A good Purchasing Agent buys only from qualified suppliers, that is, those whose reputation, financial position, manufacturing facilities and price structure are adequate. He selects a limited number of suppliers and establishes long term relationships with them. He avoids single sources of supply whenever it is possible and practicable to ensure a competitive position and a continuing flow of supplies, but also avoids more sources than are necessary for these purposes. He considers suppliers as an adjunct to his company and furnishes them with his requirements and general data necessary for their adequate planning and operations to meet these requirements.

2. *The development of policies to govern the purchasing functions and the implementing of these policies by efficient methods and procedures.*

Because of the belated recognition of Purchasing as an extremely important function of management, it is very essential that the Purchasing executive spell out his company's policies with respect to outside suppliers as well as the other departments of the company. Perhaps no other group has more contact with people outside the company than Purchasing, and, therefore, the standards of honesty and ethics as set forth by the Purchasing Agent must be clearly understood by everyone in Purchasing.

Because of the activity generated within the company by the issuance of a purchase order, the Purchasing Agent must ensure that his methods and forms are simple and effective. He starts a chain reaction with each purchase order, and that progresses through the follow up and receipt of the material, the inspection and movement of the material to production, and finally the payment of the invoice. The control of the number of copies of that order, the filing and retention of the purchasing records, the easy access to the information the buyers and clerical help require, constitute a fertile field for cost-reduction and efficient methods. Because of the growing tendency of industry to decentralize, it becomes more important that standard policies and procedures be utilized effectively throughout a company's operations.

3. *The co-ordination of the activities of the Purchasing Department with other functions of the company, such as traffic, receiving, inspection, accounting, manufacturing and production control, so as to facilitate smooth operations.*

Each of these departments impinges on the Purchasing Department and the efficiency of the company's internal operation depends upon the

smoothness with which each of them operates individually and together. The Purchasing function buys what is required by Production Control for the use of the factory, and, obviously, the success of the plant is wrapped up to a great extent in the co-operation of the two groups. Similarly, the efficient and economical movement of the materials by the Traffic Department can mean the difference between economical and efficient purchase and losses in time and money. The handling of rejects and their replacement, the determination of charges on incorrect invoices, the disposal of scrap and surplus, all require that the Purchasing Agent provide the guidance and co-ordination that are imperative for the company's operations.

4. *The art of public relations in the Purchasing Department's dealings with its many suppliers.*

We mentioned above the importance of the proper selection of adequate sources. One of the most important functions of a good Purchasing Agent is the maintenance of good vendor relationship. This is not based on friendship as such, or the old-fashioned idea of hail-fellow-well-met entertainment, but rather on mutual trust and confidence gained over a long term relationship between buyer and seller. The fairness with which a buyer treats a salesman reflects the innate integrity of the company he represents. In addition to the requirement that a Purchasing Agent conduct his company's business ethically, there must exist the commonsense approach that good-will fosters mutual co-operation and good-will. This very quickly becomes a yardstick to measure the effectiveness of a Purchasing Department.

5. *The tremendous influence that one Purchasing Agent can exert on his company's policies and progress because of his communication to top management of his wide knowledge of current business conditions and trends.*

One of the most widely used business indicators is the monthly report published in the United States by the Business Survey Committee of Purchasing Agents. It should be obvious that a competent Purchasing Agent is in a most advantageous position to detect price and business trends. It is his responsibility to help determine not only the inventory position and forward commitment of company funds, but also to make known these trends to management so that sales and marketing plans can be adjusted accordingly.

The Art and Science of Purchasing

In addition to these very basic requirements, the Purchasing Agent's daily duties place him in some very interesting, if somewhat difficult, situations. For example, he is responsible for eliminating or minimizing

disruption in production schedules due to lack of materials, equipment or supplies. He must guard this continuity with a minimum investment of his company's dollars. He must preserve this continuity of production with the lowest ultimate cost, balancing the risks of shutdowns or slowdowns against the risk of forward buying and the economies of quantity purchases. He must eliminate the costs of duplication, waste and obsolescence. He must constantly strive to maintain his company's competitive position by ensuring that his specifications are not unnecessarily higher than those of his competitors. On the other hand he must be certain that the quality of his purchases is at least as good as that of his competitors, and, of course, he is really expected to be certain that it is a great deal superior and costs substantially less! And through it all he must maintain friendly, co-operative understanding and harmony with the other departments of his company and with its suppliers. That is the challenge of modern Purchasing but that is also its potential.

That is what industry now looks for in its Purchasing executives. When you consider that on the average more than 50 cents of each sales dollar is spent in the purchase of goods and services, it is quite logical that the responsibilities of the Purchasing Department have so greatly increased in the recent years. In the United States, the National Industrial Conference Board analyzed the disposition of the sales dollar of the seventy-seven largest manufacturing companies. The survey revealed that, on the average, 56 cents of each sales dollar was represented by the purchase of goods and services; wages and salaries ate up 24 cents of each dollar and taxes 11 cents. The importance of Purchasing was summed up by Mr. Frank M. Folsom, President of the Radio Corporation of America: "At RCA the art and science of purchasing has achieved a professional and management status that ranks equally with sales, engineering and other top management responsibilities. We are convinced that the prominence we give to the purchasing function is vital to the successful operation of our business." Similarly, Mr. Crawford H. Greenewalt, President of E. I. Du Pont de Nemours & Company said: "For many years, we in the Du Pont Company have recognized procurement as an essential management function. The integration of purchasing with production, sales, research and other activities of the company is essential to a smooth-flowing managerial team."

The savings that an efficient Purchasing Department make each year may represent the equivalent of thousands of dollars in additional sales of the company's products. The modern Purchasing Agent is geared for this profit potential and its realization is a mark, not only of his capacity, but also of the opportunity that the science of industrial procurement offers. The possibilities of savings exist in the thousands of items that a busy purchasing function buys. It is not confined to the major items of steel or copper products or large subcontracted parts.

For example, a 4 cent eyelet was carefully analyzed by a competent buyer. It was a part specified for a particular function and was manufactured especially to those requirements. The buyer recommended a standard off-the-shelf eyelet which served many other routine and standard uses. The specification was changed and the millions of eyelets which were then purchased each year at less than 1 cent each resulted in annual savings of over $25,000. This was not an earth-shattering, glamorous achievement, but it was the sort of intelligent activity that prevails each day in the modern, effective Purchasing Department.

Good Employment Prospect

Recognition of the Purchasing Department's importance has been a comparatively recent event. From the standpoint of the young man trying to decide what job he should take, this might be a definite blessing. Purchasing needs young, intelligent, aggressive men in order that the challenge it offers may be met. There has not been a tremendous manpower pool of trained purchasing personnel upon which industry has been able to draw. Consequently, since the war, many companies have had to develop a concentrated training programme to enable them to meet this need.

A job in modern scientific purchasing is a challenge which offers opportunity for a Purchasing Agent to exercise his intelligence and ingenuity as well as his diplomacy and tact. When the job is done properly it is never dull and is always rewarding, not only because of the important position it occupies in the management scale, but also because of the satisfaction that may be derived from the organization and development of a hard-hitting, effective team for savings.

U.N. Wheat Conference in Geneva

The second session of the United Nations Wheat Conference opened in Geneva on February 20 to draft a new International Wheat Agreement to replace the existing one which expires on July 31, 1956. The Conference considered a new draft prepared at the first session held in Geneva from October 26 to November 16, 1955. After reviewing the present position and considering the question of the best form of arrangement to deal with the international wheat situation, the first Conference concluded that a multilateral contract for purchases and sales along the lines of the present International Wheat Agreement appeared to be the most suitable. The second session is now attempting to reach accord on such outstanding matters as price and quantities involved, and to draw up a new Agreement to come into force on August 1, 1956.

All member states of the United Nations, of the Interim Commission for the International Trade Organization, of the Food and Agriculture Organization, and of the International Wheat Council, were invited to the Conference. Frank Sheed Anderson (United Kingdom), Sir Edwin McCarthy (Australia) and Takio Oda (Japan) were elected by the first session to serve the second session as Chairman, First Vice-Chairman and Second Vice-Chairman, respectively.

Radio—A Sound Approach to Advertising

Harvey M. Clarke

Provoked by our articles on Television from the local and national viewpoint, Radio has clamoured to present its case. Here it is.

In 1956, can any advertiser, local or national, continue to "get by" with print media alone? Yet how many merchants or manufacturers can invest in the glamour of Television on the day-to-day basis needed to reach all people often enough to influence them effectively? Everyone who has reason to advertise must be aware of the advantages and disadvantages of all the media available to his use. This article sets out the changes in Radio, so that in evaluating advertising plans, you will know better its capabilities as an effective medium in producing sales.

THE problem today, whether an advertiser is a multi-million dollar enterprise, or a small local retailer, is *sales*. All forms of advertising produce sales in varying degrees, but now every advertising dollar must produce more sales dollars by performing better.

With changes in the market, the role of advertising has changed, and so have the media. The greatest change of all has been in Radio. A look at the changes in the market and in advertising may offer some guidance in the preparation of advertising that will produce sales economically.

Big Changes in the Market

There is a far larger market potential in 1956 than ever before in Canadian history. Comparing Dominion Bureau of Statistics (D.B.S.) figures of 20 years ago, when many firms first went into business, with those most recently available, it is found that there are 41% more families to sell — a market for 41% more refrigerators, doormats, and so on. But more important is the tremendous growth in family income. Twenty years ago 46% of all spending units had less than $40 a week family income. Now only a small 7% makes this little, and the over $5,000-a-year class which was 11% has now nearly doubled to 20%.

During this same 20 years span, families' *disposable* income has soared even more rapidly, with a 500% increase. This gives both manu-

facturers and retailers a potential sales volume today that is at least five times greater than when they started their businesses 20 years ago.

More families, with much higher incomes and far greater disposable incomes mean a much bigger market potential — a much different market than 20 years ago when the "middle class" was only one-third what it is today, and the "over $5,000" group has doubled itself.[1] *Now,* the market is *everyone* — every single family has money to spend.

Wanted: A Big Advertising Plan

Advertising was comparatively simple two decades ago when a retailer's market was limited numerically and fairly easy to reach. But now that *everyone* is the market, big advertising is a necessity. The plan must be big enough to cover all prospects with repeated impact, so that it will excite sales personnel, and compete effectively not only with those who advertise in the same field, but with everyone who is trying to influence the same buying dollars in this big new market. As sales potential increased, advertising has expanded as well.

There are eight times as many advertising dollars being spent as 20 years ago.[2] Even with our expanded population, this means much more advertising pressure per customer — just about four times as much. Each person is being pulled in different directions by these dollars. According to an extensive Radio Advertising Bureau study,[3] the average woman customer is subject to approximately 200 advertising messages daily through radio, television, magazines, newspaper, outdoor, direct mail, and a dozen lesser ways. Seventy-three thousand offers a year ask her to buy something!

These factors must all be considered in preparing a plan big enough to attract the attention of prospects, to stand out among all this advertising, and yet not bankrupt the advertiser. The need is for a medium big enough to reach *all* prospects, yet sound enough that one can afford to live with it, continue to advertise week after week, year after year.

In Any Such Plan, Radio

To show how radio is uniquely adapted to reach this "everyone" market that has expanded so greatly and changed its character so markedly, it will be necessary to quote some figures. These figures have been provided by the Canadian Association of Radio and Television Broadcasters (C.A.R.T.B.), through their research director, Mr. Richard Thibideau, and his sources include the Radio and Television Manufac-

[1]Canada Year Book, 1931, 1953.
[2]"Advertising Agencies", D.B.S.
[3]New York City, N.Y.

turers Association (R.T.M.A.), the Bureau of Broadcast Measurement (B.B.M.) and the D.B.S.

There are over six million radios in Canada. To show how big this is, all daily newspapers, according to the Canadian Daily Newspaper Publishers' Association, in 1955 circulated less than four million copies. All the television sets, at the time of the D.B.S. Household Facilities and Equipment survey in September 1955, added up to about a million and a half. The six million radios add up to nearly two for every family in Canada. 96% of these families have one set, many have more than one. The million auto radios alone represent a complete market.

With 96% of all homes having a radio, the "everyone" market we mentioned above is covered with equal intensity. Other advertising media concentrate their coverage on the top half. The Magazine Advertising Bureau, Inc.[4] finds, for example, that the upper 25% of the population buys 75% of all magazines, the majority in metropolitan areas. Studies by the Radio Advertising Bureau (R.A.B.) demonstrate how radio reaches into the small town and rural markets effectively, where television and daily newspaper penetration is considerably lower. Yet better roads and merchandising now bring these people into both urban and suburban shopping centres.

People continue to buy radios — three million between 1946 and 1954, and over half a million more in 1955. This has brought about coverage of over a million new radio homes since 1948 (when experts agreed that radio had reached its peak) and over half of all Canadian homes have acquired a new radio since then. More important, over half of all home sets sold create new places to listen — at the current rate, 250,000 annually. Newspaper circulation grew 150,000 units last year.

Twice as many automobile radios were sold in Canada in 1955 than in 1954, and this is five times as many as were sold in 1946. More than one car in every three on Canadian highways, regardless of age or condition, is equipped with radio, and the majority of new cars either have radio as standard equipment or have a set installed before they leave the dealer.

Radio Listening Habits

While all this illustrates radio's great potential, we can substantiate radio's claim to bigness in terms of *actual* listening, with measurements of *actual* circulation. While newspapers and magazines record their *gross* circulation debited with returns to give net circulation, radio and television measure *net* circulation in terms of actual listeners at

[4]New York City, N.Y., First National Audience Survey.

given times. Radio has more people measuring it more often in more ways than any other medium. The names of the research organizations are familiar. Each prepares figures for many big advertisers and their agencies, many of whom subscribe to more than one to countercheck the effectiveness of their advertising.

Many of the examples of listening habits which follow are taken from surveys made in the U.S.A., since no Canadian firm has so far considered it economically feasible to do such qualitative and quantitative research here. However, the Bureau of Broadcast Measurement (the tripartite organization of Canadian advertisers, advertising agencies and broadcasters) has made a pilot study along these lines. At the time of writing, results of this test were expected to be released this spring, and indications are that Canadian facts parallel those found by American research.

A. C. Neilsen & Co. measures listening with "audimeters", a device which is attached to the radio itself and actually charts each time the radio is turned on or off, and records each change of dial position. In the U.S.A. Neilsen found that 91% of all families listen to their radio each week, with 8 out of 10 families listening morning and afternoon and 7 out of 10 listening each evening.

In a U.S. survey to determine radio listenership in areas with high television ownership, Alfred Politz Research Inc. interviewed people in their homes. They found that 64.9% of *all people* (a much more exacting measurement than "families") listen during an average day, 9 out of 10 during an average week. The number of listeners is substantial during any time period, with more women during the day and the proportion of men and women being about equal before nine and after five. Politz also measured the average amount of radio listening in television areas—172 *minutes per day* for each person in the family.

If we can apply the same proportions in Canada, as Daniel Starch and his staff discovered through personal interviews in U.S. homes, we would find that more than eight million people listen to Canadian radio during the average day; nearly seven million during the shorter average night time period. The Starch study also found that the majority listened for two hours or more each.

Radio Listening Has Changed

While people once listened to radio in groups, to a programme selected by one person, they now listen to what appeals to them individually. This deep coverage of families is possible with the many "listening posts" that radio has in kitchens, bedrooms, automobiles and

public places. The D.B.S. Household Facilities Survey in September, 1955, found two-thirds of all families with two or more radios and nearly one-third had three or more.

Radio reaches listeners wherever they are, when they are doing other things . . . in kitchens where billions of dollars of food decisions are made, and in cars where people are en route to buy. In a typical morning hour, Politz (in the U.S. study mentioned above) found that nearly two-thirds of all people listen while eating or preparing food, or doing household chores. With proper timing, an advertiser can thus reach people nearer to the time when they buy than any other medium. In cities having many TV signals and several newspapers, Supermarket interviews, conducted by trained Advertest Research workers showed that for every 100 shoppers who had heard radio for 15 minutes or more before they shopped, 81 had read a newspaper, 55 had watched television.

By placing advertising in radio programmes designed to appeal to various groups, an advertiser can furthermore reach segments of his market selectively in a way that other media can only approximate. For example, D.B.S. reports that 68% of all Canadian brides in 1954 were under 24 years old, 25% were under 20. As well as making major purchases, when teenagers, they are forming buying habits which will carry over into their married life. Pulse Inc. found that 97% of U.S. teenage girls listened to radio every week for an average of two hours and 23 minutes each day. Another good example are New Canadians, who are forming buying habits that will effect millions of dollars in spending. These people *understand* English long before they can read it easily, and indeed listen to radio to learn the language. An advertiser can single out any part of the total market that is a most likely prospect by selecting radio programmes designed to reach them.

Today, women are the major spenders, and radio is reaching them better than ever before, going with them from room to room as they go about their chores. It reaches 93-95% of all U.S. women for two hours each day, Pulse Inc. found, whether they are single or married, working outside the home, or devoting full time to homemaking.

Radio Advertising Has Changed

Just as radio's growth and ability to reach a wider strata of people has increased, changes caused by pressures of new merchandising techniques, new customers, and the constant struggle to keep costs down, have forced radio to make changes in order to reach today's market more effectively.

One of the most important changes in radio advertising techniques is the development of *saturation* advertising to match the changes that have taken place in listening. Its coverage of the "everyone" market was brought about by the local retail advertiser, who had doubled his radio billing in the last decade to become the newest and largest customer.

What constitutes saturation? Well, that depends on the product and the market. Radio has saturation in many sizes. With one typical saturation radio plan—25 announcements in one week—used in the three top American television markets, Neilsen found that an advertiser could reach 54% of *all* families 2.9 times each. Three-quarters of the families can be reached several times in cities that are not TV saturated.

But do people really remember radio advertising? The Radio Advertising Bureau in the United States decided to find out. They asked one San Diego radio station to carry a saturation campaign of "Blue Coal" announcements over a two week period during late November and early December. San Diego was selected for this test of the penetration and memorability of evening radio, because it has more television competition than most cities, and "Blue Coal" was unknown, since no one in Southern California uses anything but natural gas or electricity for heat.

The Pulse, Inc., Research organization stationed interviewers throughout three main areas of the city. Choosing pedestrians at random, they began checking how many San Diegans (not just *listeners*) could recall this Blue Coal advertising. Carefully excluding expatriate Easterners who may have remembered Blue Coal advertising from their frigid pasts, Pulse found that four days *after* the conclusion of the advertising campaign, 11% of those San Diegans questioned still remembered the Blue Coal announcement and could "play back" parts—if not all—of the copy.

This study demonstrates how people *remember* for relatively long periods radio advertising they have heard repeatedly. Similar studies, with various other types of products, radio advertised in areas where they were unknown, found that the products were remembered by 11% or more of the *total* population. In each case, saturation radio alone was the only possible way that they could have known of the product.

While this new saturation technique has proved its effectiveness in so many cases, we should not overlook the possibility in radio of buying a complete programme which has this exclusive advantage: you can reach relatively the same people over and over again—often enough to really convince them. By sponsoring a show with strong appeal to the portion of the market an advertiser wishes to reach, he can actually

increase station circulation at the time when his advertising is heard. No print advertising allows him to do this, and few advertisers can afford this type of television advertising. Even among the largest advertisers, the trend is toward a split sponsorship of programmes with very few exceptions.

Effectiveness In Producing Sales

To measure the effectiveness of radio advertising in producing actual sales results in terms of dollar volume, the Advertising Research Bureau, Inc. (A.R.B.I) conducted a series of 201 tests, with several sizes and types of stores in different markets, in comparison to a medium with which most retailers are familiar — newspapers. The advertiser used his space in any way he felt would bring him best results, including in some cases, colour. The only stipulation that A.R.B.I. made was that equal dollars be spent in both media, advertising identical merchandise simultaneously in newspaper and on radio.

Store interviews were conducted by their trained researchers, interviewing those customers as they left the store and who had shown interest in the test merchandise. Their questionaire asked only "How did you learn about this merchandise?", with no reference to any media. If they mentioned either radio or newspaper, they were required to verify their answer by repeating back part of the advertising copy. Obviously, only the customer could give these facts, and results of such a study give a direct dollar-for-dollar comparison of results in terms of sales dollars received.

The results of 201 tests: 61% of store traffic was directly attributed to the advertising, slightly more being influenced by radio only, than by newspaper alone. Furthermore, when the purchases made by this traffic which the advertising had created were converted into sales figures, it was found that the dollar volume of purchases produced by radio alone amounted to 39.5%, newspaper alone accounting for 23.5%.

Of great interest is this additional fact, gleaned from the same 201 studies: While radio creates more traffic economically—traffic that is inclined to buy more merchandise—only 12% of the dollars customers spent was influenced by both media. The result: *Two* mutually exclusive markets for these major media—the radio market and the newspaper market—and the overlapping between the two is extremely small.

Conclusion—Big, Sound Advertising

The Canadian market has increased in population, income and buying power. Advertising has also increased. Radio has increased in size and penetration, changing with the times in a way which no other media could, to provide a means of reaching all prospects repeatedly at a cost an advertiser can afford.

Human Relations Training as Seen By a Psychologist

Gordon H. Turner

In 1955, W. H. Rea, President of the Canadian Oil Company, captured the headlines with his announcement how he and his leading executives had called in psychologists and co-operated fully with them in an effort to improve the teamwork and, as a result, the efficiency of his firm.

Are you too planning a course on human relations? If so, you may be getting involved in much more than you bargained for. If Gordon H. Turner, Professor and Head of the Department of Psychology at the University of Western Ontario, has the right slant on things, a sound course in human relations will be a far cry from the usual lecture or written presentation of ideas to be ignored, filed or remembered as you please. You are more likely to end up taking a very close look at your fellows and at yourself and come out a little humbler, a littler wiser and a bit more appreciative of the other fellow's point of view.

THE purpose of this article is to lay bare the chief aims and outcomes of human relations training in such a way as to challenge two very common attitudes: one is that satisfactory human relations is a matter of technique, i.e. of knowing what to do and when to do it, the other is that it suffices to judge human relations training by the usual economic criteria of efficiency or profit. In positive terms the aim is to awaken a deeper appreciation of the tremendous potentialities and broad implications of human relations training programmes.

Unfortunately, not all programmes labelled "human relations" deserve this attention nor do all deserving programmes carry the "human relations" label. The same basic principles may be applied under the title of leadership training, supervisor training, administrative practices or whatever. The newer term, human relations, is more widely preferred at present because it is more apt. Once the significance and dynamic character of interpersonal relations and group activity became recognized, once it was realized that many personal characteristics inhered in situations rather than in persons, it seemed desirable to employ a term that would reflect the greater emphasis being given to relationships. But

at present, the situation is confused for two reasons: training programmes incorporating the newer insights frequently appear under the more familiar titles, and on the other hand, a traditional type of programme may be advertised as human relations. Our interest here is in the kind of human relations training that reflects recent developments in clinical psychology (especially non-directive counseling), interpersonal theory and group dynamics. In our estimation, a programme is travelling *falsely* under human relations colours if the answer to any one of the following questions is "Yes":

(1) Does it tell you what to do or say?

(2) Does it give you a way of classifying people and tell you how to recognize each type?

(3) Does it tell you how to get people to do what you want?

Whatever such a programme may be accomplishing, and despite what it may be called in the prospectus, it is misleading to call it "human relations". But with this reminder that "all that glitters is not gold" we are ready to consider the essential nature of human relations training, the rationale behind its present forms and the directions in which it is taking us.

The goal of human relations training is to change behaviour by changing the whole person, not only what he does but how he thinks about others and, more important still, how he *feels* about other people. Changes in behaviour that are not accompanied by corresponding differences in thinking and feeling achieve very little. It is not long before the veneer is recognized for what it is or wears off. Moreover, training must do more than provide information and influence ideas. It is now quite clear that thinking can be altered without appreciable alteration in either feeling or behaviour. We may know all about race prejudice and reject it intellectually while finding to our consternation that we still retain most of the old feelings and ways of behaving, even though they belie our brave new words and thoughts. Thus to be effective, human relations training must involve the whole person, his feelings as well as his thoughts, and eventually, his behaviour.

For such purposes the traditional methods of teaching by lectures, discussions, films and books were simply not adequate, valuable as they are. Better methods were needed and some better methods have been found. Most of these involve small groups conducted in very special ways that mark them off rather sharply from the usual small discussion group. Case methods lend themselves to the kind of special treatment needed and role-playing has also turned out to be a powerful tool in the human relations armament. The precise nature of these training methods need not detain us here. It is sufficient to recognize that they represent radical departures in technique designed to foster radical changes in persons.

If individuals are likely to undergo change, we need to know what kinds of changes to expect and we must wonder by what process it is determined that those rather than some other changes should be involved. So first let us consider the alterations which human relations training brings about in those who are in any vital way affected by it. These changes may be considered as shifts in attitude along three closely related dimensions or continua that we have arbitrarily designated as follows: (a) Labelling vs. Understanding, (b) Judging-Rejecting vs. Accepting, and (c) Manipulating vs. Participating.

Labelling vs. Understanding

At one extreme there is the common habit of classifying people into types, of pigeon-holing them, of putting labels on them. We all do it. We find it a great convenience. We just decide on the category of the new acquaintance and behave toward him as we would toward any member of that category. We say "Jones is a fine fellow, he's an executive with . . .", or "Jones is a school teacher," as if these illuminating remarks said all that really needed to be said to describe adequately some other member of the human race. The psychologist is doing essentially the same thing, when he says "That person is a neurotic," or the doctor when he refers to an individual as "a heart patient of mine," or the supervisor when he says "Smith is a trouble-maker," or "Smith is a poor worker."

It may avoid some confusion to realize that classifying or labelling is not the same thing as describing. If it describes at all, it is very poor description indeed. A label is about as revealing of the labeller as it is of the individual being labelled. It takes the place of a more accurate and detailed account of what an individual does and how he does it. The statement, "A good man — the best in my department," makes it clear that I think highly of him as an employee, but the reasons are very obscure indeed. Does he make fewer mistakes, turn out more work, lose less time, work harmoniously with his fellows, follow instructions well, keep very quiet, brighten the place up with his comments, or what? In other words, what does he do that causes me to regard him highly? A factual or descriptive account is helpful and it is not to be confused with labelling.

At the other extreme of the continuum is the wholehearted and open-minded attempt to appreciate the other person's point of view, to recognize what he is thinking and particularly to appreciate how he feels about things. It involves a sincere and strenuous effort to "get inside" the other fellow in order to see how the world looks to him rather than how he looks to us or how we feel things *should* look to him. Such understanding of another person can never be complete or perfect because communication is of necessity imperfect and there can be no assurance that any two

people can have identical experiences. Yet herein lies the secret of "getting close" to another person and the marvel is how close we are sometimes able to get.

Effective human relations training changes individuals in such a way that they become less inclined to label and more inclined to undertake the difficult task of understanding. Moreover, a shift of attitude away from labelling and toward understanding may be regarded as constructive for the following reasons:

(1) When we label we focus our attention upon a characteristic, or worse still upon a group membership that the person shares with all other persons so labelled, thereby losing sight of all the ways in which he differs markedly from the others in the same category. We thus blind ourselves to the greater reality, for differences between groups are negligible compared to the wide differences between the individuals who comprise any one group.

(2) When we label, the tendency is to react in the same way to everyone similarly labelled. To put it another way, we react to the label rather than to the person; and to behave toward people who are very different as if they were identical is to behave inappropriately. Surely there is an uniqueness to every one of our interpersonal relationships that should reflect itself in our total response. Would it make sense to respond to a Churchill or to an Einstein in the same way as to all other members of the same nation,club, age group, political party, race, religion (or whatever classification one chooses)?

(3) Labels are generally two-valued, "either-orish", good or bad with no provision for "in between", whereas most characteristics are, in reality, "in between". Consequently, labels are nearly always inexact and misleading. It is not highly informative to be advised that a certain three workers are the trouble-makers and that the other seven are the good employees. It is informative, however, to be told what kinds of difficulties workers A, B and C become involved in and to learn of the production records and other assets and liabilities of the remaining seven.

(4) Labelling is more likely to create problems than to solve them. It creates problems in the same fashion that a teacher creates problems when he calls a boy the class "cut-up" or a "lazy lout" or irresponsible or any other name that suggests an undesirable quality. If the pupil accepts the definition, and he is very likely to do so, then he plays the suggested role with a determination and consistency that not only confirms the teacher in his original diagnosis but makes change very unlikely because the undesirable characteristic is deeply imbedded in the boy's concept of himself. It has been said that there never was a stutterer who had not been diagnosed first by his parents. The implication is that the parent created the problem by anxiety over the child's quite inevitable early lack

of fluency, by calling attention to hesitations in speech and calling it stuttering, with all the accompanying emotional tones of concern, disturbance and foreboding. So it is in industry. Calling the employee a poor speller, or a sloppy workman or a stubborn man may be firmly grinding in a self definition that perpetuates the very thing we hope to change. Furthermore, a label carries with it the implication that difficulties are attributable to the nature of the person rather than to his views and feelings about a particular situation. This generates pessimism, for the former is so much more difficult to change than the latter.

(5) Understanding provides the best possible basis for the prediction of behaviour. What a man does depends on how he perceives the situation he is in. If we know how he thinks and feels we can be sure how he will behave. Exceptions to this proposition will occur but they will be rare. They will occur when an individual is motivated by some unconscious drive or impulse, but in this case he will not understand his own behaviour. He will disown it, feeling that he was not himself and not in control of his own actions.

(6) To effect dependable and more or less permanent alterations in behaviour, we must alter the underlying viewpoint. Therefore we *must know what that viewpoint is,* which is the aim of understanding. In other terms, how can we hope to persuade a person to make much of a change in his behaviour if we have done nothing to change the way he thinks and feels? If a workman feels hostile toward his supervisor his behaviour is likely to show it as long as the feeling remains the same.

(7) Complimentary labels encourage smugness; uncomplimentary labels breed resentment and hostility with accompanying defensiveness. Neither is conducive to growth. To be understood is satisfying; it permits relaxation of defenses and opens up the possibility of insight, critical self-examination, change and development.

Judging-Rejecting vs. Accepting

At one end of this continuum we have an attitude that generally combines both judging and rejecting. By judgment is meant moral judgment or the evaluation of personal worth, *not* the recognition of individual differences in skill, knowledge or experience. That people differ widely in talent and competence is obvious. Our concern here is with the further fateful step of inferring that personal or moral worth is correspondingly little or great. It is the facile assumption that the elevator boy is less worthy of respect than the vice-president. And the judgment that another individual is morally inferior to us is usually accompanied by rejection, that is, by hate, fear or dislike, by an attitude that says "Keep your distance, I don't wish to know you any better or to have anything more to do with you than I can help."

Disapproval of undesirable conduct, correction of mistakes, realistic assessment of abilities and the like are, and always will be, essential. But these functions do not describe the judging-rejecting end of our continuum. We refer rather to the tendency, strong in all of us, to slip over into feelings of superiority, into a "holier than thou" attitude that expresses itself in one form of disrespect or another, e.g. sarcasm, "bawling out", sneering, ignoring, interrupting, etc.

An accepting attitude represents the other end of the continuum. To accept, in the rather rich psychological sense in which we use the term here, is to respect an individual as a moral equal, to appreciate his personal worth and to recognize fully his right to be different and to be himself. It involves feeling kindly disposed towards, interested in and therefore desirous of knowing another person better. The real measure of this attitude must be taken when we are confronted with hostility, suspicion, coolness, revelation of weakness or undesirable conduct. If, in the face of moral weakness, our attitude is "There but for the grace of God go I", if, when confronted by hostility, we fail to develop a counter-hostility and our attitude seems to be "I understand how you feel and hope you may come to feel differently but, whether you do or not, I'll always be happy to do anything I can to help", then we are certainly exemplifying the accepting attitude.

Highly accepting behaviour is of course much less common than judging and rejecting. There are at least two substantial reasons for this. One is that we cannot be accepting of anyone who shakes our confidence or engenders fears in us by threatening our security or status. For example, observe the hostility that may be generated by adding a very competent newcomer to the staff. His very superiority may constitute a deep threat to many of the "old hands." Another reason is that we cannot be very accepting and respectful of others if we lack self-acceptance or self-respect; and secure self-respect must rest on the solid base of self-knowledge, of awareness of our own weaknesses, follies and stupidities. Such self-respect is much less common than most of us would suppose.

We have here then a second dimension, a rejection-acceptance dimension, which is pertinent to human relations training; and persons affected by human relations training become less judgmental and rejecting and more accepting. Such shifts in attitude are regarded as desirable for the following reasons:

(1) The common reaction to moral judgment and rejection is aggression, hostility and resentment. In such a mood there is neither desire nor capacity for critical self-examination and constructive change in outlook and behaviour. Moreover, the mutually hostile feelings completely block the only kind of communication that might lead to mutual

understanding. Situations tend to deteriorate rather than improve when there is rejection.

(2) Whereas it is disturbing and unpleasant to be rejected it is deeply satisfying to be accepted. Moreover, acceptance is a necessary condition for the kind of unguarded and genuine communication so vital to mutual understanding. We only "open up" with those we trust not to betray us.

(3) Because acceptance provides a safe, secure atmosphere in which we can dare to look honestly at ourselves, it makes it possible for us to learn from our experiences and it thus contributes to our personal growth.

Manipulating vs. Participating

The third dimension to which we wish to draw attention involves a distinction between a manipulative and a participative view of other people. The manipulative view is that others are, to all intents and purposes, objects to be controlled, influenced or induced, no matter how subtly or indirectly, to do or to become whatever we want them to do or become. Thus we set out to motivate, teach, manage, handle, discipline, persuade and "sell" other people. This is consistent with the Darwinian conception of life as a struggle or competition for survival with the devil taking the hindmost. Others then become our competitors and will use us to their advantage if we don't exert greater strength or intelligence and use them instead. In our culture attitudes are so highly manipulative that even a committee meeting is frequently viewed as a technique for getting what we want under the guise of democracy. We often hear that it is important to *let* the employees *feel* that they are making their own decisions. The predominance of manipulative conceptions is so pronounced that university students characteristically take such attitudes for granted and do not question the appraisal of human life on which they are based.

There are, of course, other ways of looking at things and we would draw attention in particular to what we would refer to as participative viewpoint. Participation may be regarded as a much enriched notion of co-operation, for it takes the ideas of understanding and accepting and extends them to include joint endeavour to solve a common or shared problem. To participate with others is to work together on a shared problem on the basis of personal equality (not necessarily equal status or competence) in an atmosphere of mutual warmth and trust. A problem is shared if two of us fully recognize that something must be done and are willing to make whatever contribution we can to the project. A participative attitude in no sense involves the naive idea that everyone can contribute equally; but it does encompass the thought, by no means naive, that everyone who is concerned about a problem may and probably

will have *something* to contribute. (It is slowly being recognized, for example, that the tank gunner, pilot or naval rating may have something very valuable to contribute to the designing of the tank, plane or ship.) Nor is it to be implied that a participative attitude is a spineless surrender to manipulation; not for a moment. Readiness to participate is perfectly compatible with strongly determined resistance to manipulation.

There is then a difference between manipulative and participative behaviour and the general effect of human relations training is to increase participation at the expense of manipulation. As in the case of the two previous continua, this shift in attitude is regarded as desirable. The grounds for so thinking are as follows:

(1) Healthy individuals strive for independence, growth and self-fulfillment and struggle to resist arbitrary authority and capricious outside control of their lives. In a word they find it unpleasant to be manipulated. On the other hand they find a participative atmosphere satisfying, enhancing and conducive to their own personal growth as well as to improved relations with others.

(2) From the point of view of social efficiency the manipulative approach is, to say the least, disappointing. Professors lament the reluctance of students to do more than the minimum on assignments the professors set for the students. Management decries the lack of enthusiasm of workers for management's goals. In general, those who take no part in making decisions accept no responsibility for carrying them out. They do what is necessary to avoid unpleasant consequences, e.g. being demoted, transferred or fired, and no more. (Motivation of this sort is said to be "negative.") Many an efficiency expert has had his pet scheme wrecked by those who had no interest in seeing that it worked. On the other hand, participation has the effect of maximizing "positive" motivation. When an individual is personally involved, that is, when the purposes of the group are *his* purposes, then and only then will he commit himself wholeheartedly and unreservedly to their achievement. Under such circumstances the release of energy is frequently unbelieveable. It is the difference between giving all you've got and surrendering what can be forced out of you.

Conclusion

To summarize, the effect of human relations training is to weaken habits and attitudes of labelling, judging, rejecting and manipulating and to strengthen tendencies to understand, accept and work participatively. This account is of course by no means complete. We can, however, claim for the changes we have described that they are profound. They go far below surface behaviour to the very structure of the per-

sonality. For this reason rapid and dramatic effects of training are the exception rather than the rule. But the small shifts and alterations that more commonly take place represent fundamental shifts in attitude and outlook that are pervasive in their influence.

If the foregoing analysis is valid, we are ready to dispose of the first question raised in this paper. Can improvement in human relations be validly looked upon merely as an improvement in *technique?* Obviously not. Behaviour becomes more constructive when the individual's outlook becomes more constructive, and alterations in basic outlook involve changes in the whole person, his feelings as well as his thoughts. There is here no question of simple rules of thumb, of the parroting of recommended phrases, of the synthetic smile, of hypocrisy and subterfuge. The goal is nothing short of a healthier, wiser person who can work more effectively with others because he is able to communicate more adequately with them, to understand them better and to appreciate them more deeply and sincerely. Such a person need not strain at acting but can afford the luxury of simply being himself.

Perhaps it is now clear why we would accord human relations training a more dignified status than that of a technique and further, why we would take issue with those prepared to use economic criteria with which to evaluate it. The tendency to regard economic criteria as in some sense ultimate is very strong among students, and understandably so in view of the prevailing values of our culture. But this merely reveals the extent of the confusion between ends and means. Only a sick society can regard business activity as an end in itself. There are more basic human values that must take priority and represent the ends toward which business and industrial activity may be, but are not necessarily, powerful means, and the improvement of human relations derives whatever significance it has from its closeness to ends.

It need not be suspected that this is an attempt to justify an economically unprofitable form of training. Quite the reverse. It would seem to be very profitable indeed and this is what one should expect. That a man who finds his life more richly satisfying should be more creative and productive and valuable in an economic sense need occasion no surprise. But what reason is there to suppose that the changes that take place in human relations training are so basic and so valuable?

The argument may be put very simply. It is now well known that as our relations with our fellows deteriorates our mental health deteriorates, and as we regain our health our interpersonal relations improve. Furthermore, a great deal is now known concerning the conditions under which health and interpersonal relations may be expected to improve, and these insights underlie the newer approaches to human relations training. Nor is it a matter of designing methods by which to propagate

preconceived ideas of what will be beneficial. The methods may be regarded as devices for opening up channels of communication between people so that they may better explore their own nature and that of others. And when this is permitted to happen changes take place spontaneously in the direction of personality growth, deeper personal satisfaction, greater mutual understanding and harmony, greater creativity and productivity. Thus if being accepted and understood and working participatively is more desirable than being classified, rejected and manipulated, it is not because some "authority" said so, but because man is so constructed that he feels it in his very bones.

Growth and personality reorganization do not take place in the twinkling of an eye. It is a slow and painful, if rewarding, experience. It is a self-generated movement toward greater health and greater self-fulfillment. Human relations are not improved by cheap tricks and "phony" gestures, but by wiser, healthier people; and whether we think of the task as improving human relations or developing wiser, healthier people, it is nothing short of an attempt to satisfy man's most basic needs and thus to contribute to the only "good life" that has any human significance.

Canada's Foreign Trade in 1955

"Export trade has probably played a more important role in the current upturn than in any previous post-war year. In the period 1945 to 1953, Canada's industrial growth was sparked to a very large extent by internal influences such as the huge demand backlogs for consumers' and producers' goods and, later, the post-Korean defence build-up. Although export markets were generally buoyant during this period, only in the two years following Korea was there any increase in the physical volume of exports. In fact, throughout this whole period virtually all of the rise in national output was absorbed domestically.

"On the basis of 10-month figures, it now appears that merchandise exports will approximate $4,350 million for the full year, 10% higher than in 1954. In volume terms, the increase amounts to 10%, which raises this year's level to the highest peace-time volume of exports on record.

"Nearly all the increase in exports is accounted for by larger shipments of forest, mineral and bulk chemical products partly the result of the coming into production of extensive new capacity. Canada's exports of iron ore are now approaching the $100 million mark. Oil and uranium are now moving in quantity to foreign markets. Sales of agricultural products, fishery products and secondary manufactures have remained about unchanged."

—*Rt. Hon. C. D. Howe's Economic Review of 1955.*

Brainstorming to Success

A. Stewart Thompson, Jr.

In every business there is a store of unused profit-producing potential — the imagination or idea-producing abilities of the people who work there. Many companies are becoming increasingly concerned with ways of developing the imagination of their personnel and applying it to the solution of problems.

What place does imagination have in the fact-conscious business world? Can imagination really be developed? If so, how? Is brainstorming the West's real answer to the brainwashing of the East? The author discusses these timely questions for Quarterly readers.

In the Toronto *Globe and Mail* last year appeared the following advertisement:

WANTED: A SCREWBALL

> Must have Engineering (preferably Electric) and commercial background. A medium sized manufacturer of diversified electrical products offers a salaried plus proposition to one who can generate ideas for new items. Tell us all about yourself.[1]

Fortunately, there is something of the screwball in each of us. Unfortunately, few of us know how to use our screwball instincts profitably. But we can learn how. It's the regular and systematic employment of his creative thinking or idea-producing powers, the use of his imagination, that keeps the successful screwball and his company moving ahead. "It's the skillful use of new and better ideas in all parts of the business that sets one company ahead of another," said a Canadian business leader recently. Ideas are as essential a part of a successful business as are men, money, and materials. Good ideas are the product of a carefully cultivated imagination.

[1]Commented the president who inserted the ad: "You'd be surprised what came out of that ad. I had seventy-seven answers.

"Some of them *were* screwballs. One fellow said he was sitting around the house with no clothes on trying to create ideas. Another fellow said he and his wife didn't get along because she said he was a screwball.

"The thought back of that ad was to arouse interest and stimulate thinking amongst our engineers."

Traditionally the businessman has been concerned with the need for "facts" and for "logic". But he should be careful lest he be wasting one of his company's most vital assets—imagination. Aside from the need for imagination to develop and improve products and processes, there are other vital needs for imagination in business:

1. To determine and specify the proper goals of the business and of each department in it.
2. To determine the best means of measuring the progress of the company in attaining these goals.
3. To find ways of enabling each worker to become aware of the importance of customer satisfaction and how it affects his own job.
4. To find ways to build interest and challenge into the daily efforts of each worker.
5. To identify and provide for all essential activities in the organization.
6. To uncover problems, particularly those that are likely to affect the business in the coming months and years.
7. To determine as many solutions to each problem as possible. Rarely are there only two solutions—either this or that—to any problem.
8. To apply the best solution effectively so that the same problem does not recur.
9. To apply new techniques and principles of good management to a specific company and its particular problems.

The Creative Climate

The philosophy and personality of the chief executive and, consequently, his associate managers, will largely determine whether the climate of the company is such that free thought and free speech are encouraged. It is only in such a climate that real progress will be made with the application of imagination to the development and adoption of better ways of doing things.

The principal ingredient in a creative climate is a strong conviction by top management that others in the business have a valuable and significant contribution to make to it; a conviction that ideas are *essential* to the progress of the business, that there is a gold mine of profitable ideas in the minds of management and workers as well. There should also be a desire to bring this gold directly to the surface without lost motion.

In a creative climate original thinking is encouraged. New approaches to stubborn problems are sought systematically. Executives, supervisors, and foremen are expected to ask for and pay attention to new ideas from their subordinates. No one is made to look like a fool because he has suggested a new train of thought.

Formal Training in Idea Production

To aid their personnel in developing ideas, some companies have instituted classes in creative thinking. International Business Machines, National Cash Register, B. F. Goodrich & Company, Radio Corporation of America, the A. C. Spark Plug Division of General Motors, the General Electric Company, and the Fidelity Mutual Life Insurance Co. are a few of them. In some companies, such as General Electric, the training is restricted to selected groups of engineers. Other companies are experimenting with the training of supervisors and key workers.

A spokesman for one of these companies made this comment to the author:

> "Our work to date has been largely experimental. The objective is to develop a systematic approach to the production of original ideas. Course content is as follows: the mental process of creating ideas; routine methods of producing adaptations; complex techniques of original production; group methods. There are 12 sessions. In addition to notes prepared by the training department, several texts on creative thinking are used."

An executive of another company remarked:

> "Our experience has been quite satisfactory. We use the book *Applied Imagination,* by Alex Osborn. The course was confined to our supervisory and key worker group, numbering about 33 persons. They were divided into two classes.
>
> "Ten formal sessions of 1½ hours each were held on company time; as well as three dinner meetings at the company's expense. While membership was by invitation and acceptance voluntary, very few people missed meetings. At the end, class members set up a permanent dinner club, at which they will continue applying creative thinking to their work and personal problems."

However, all training in creativeness does not take place in business. An increasing number of universities are conducting some form of course in creative thinking or applied imagination. Among them are Columbia, New York University, Boston University, Penn State,

Temple University, Rutgers, University of Buffalo, Drake, and the University of Nebraska.

The Management Conference

One executive made this illuminating remark:

> "There is very little free discussion in our conferences. For that reason, they are not as profitable as they could be. Participants do not want to appear foolish in the eyes of their superiors and associates by suggesting some completely new and perhaps unorthodox line of thought. Too often, when someone does suggest a different approach to a problem, it is met immediately with 'We tried that two years ago and it was no good,' or 'That's not at all practical,' or 'You should know better than that.' Ideas are suffocated in such an environment. People become afraid to stick their necks out. That's not good if you're really out after better ways of doing things."

Conferences contribute most when participants are encouraged to express ideas on the problem before the group without being confined in their remarks to their particular spheres of responsibility, such as sales or manufacturing. In a creative discussion nobody outranks anybody.

In most management conferences there are many matters to decide and situations to evaluate. Attention is focused on judicial thinking. The conscious development of *new ideas* is frequently excluded. Consequently, if the business is to benefit from the creative energy made possible when people sit down together to think, there is a need for something other than and as well as the conventional type of management conference. "Brainstorming" is how some companies meet this need.

Brainstorming

A brainstorm session is easily organized and produces ideas rapidly. It is essentially based on three principles:

1. The problem to be brainstormed must be stated specifically.
2. The essential is quantity — the more ideas there are the better is the chance of solving the problem.
3. Ideas are evaluated after they are stock-piled. *Creative* thinking is separate from *judicial* thinking.

Brainstorming can be done by an individual, but a group can produce many more ideas. Each participant sparks the other. Wild ideas

generate better ones. A group of ten to fifteen persons can produce hundreds of ideas in a short space of time. The entire group, rather than an individual in it, gets the credit for the ideas.

What is done with the ideas developed in the brainstorming session? In some cases the list of ideas is re-brainstormed in terms of advantages and disadvantages. In other cases the ideas are passed on to other groups or individuals for evaluation.

One company was having difficulties with its plant security. A brainstorm session was organized with fifteen of the plant security police participating. Its purpose: to suggest ideas to improve the company's plant security. The results: within fifteen minutes thirty-five ideas were listed. Seventeen of them pointed out significant loopholes in the security system. Management had been attempting to identify these loopholes for years. Ordinary conferences held during that time had been barren of real achievement. Uninhibited free-thinking, sparked by the enthusiasm of the brainstorm session, solved the problem in fifteen minutes.

The first Creative Problem Solving Institute was held in July, 1955, by the University of Buffalo. It was co-sponsored by the Creative Education Foundation headed by Alex Osborn. Brainstorming was an important part of the session. A shoe manufacturer had this problem brainstormed: "How many ways can you think of to fasten a shoe?" By the time 20 minutes had passed participants had come up with 140 ideas. Another manufacturer got 355 ideas for improving his product and 268 ideas for packaging it.

It takes energy and drive to push a new idea to its utilization. Some companies find their ability to develop new ideas exceeds their capacity to evaluate and adopt them. This indicates the need for methods of exaluating ideas so that they may be quickly adopted. It is only when an idea is carefully evaluated and successfully utilized that it pays off.

The Importance of Organization Structure in Utilizing Imagination

Executives and supervisors should be aware of their responsibility for developing ideas. But they must have the opportunity to use their imagination.

Some companies are organized as if their objective is to discourage all thought which does not fall within a narrow definition of an employee's assigned function. In a company that is organized to get things done an aura of freedom of movement prevails. This sense of freedom is perceived in the minds of the personnel even though it may not be defined in the pages of an organization manual.

Challenging experience re-charges the imagination. Middle and lower management—and workers too—should share in the solutions of problems that relate to their work.

Conclusion

The application of imagination to develop new ideas in technical fields is not new. But is comparatively untried in problems of organization, labour-management co-operation, morale, motivation, personnel selection and training; in the fields of finance, as well as in sales and manufacturing; in office operations and in business management generally. Those companies that are developing and applying new ideas to all phases of their operations are invariably the pace-setters and high profit producers.

Business is finding new ways of using its greatest asset—the power of imagination.

Canadian Banks in 1965

President of the Royal Bank, James Muir, said in February, 1956: "Let us suppose that over the next ten years, allowing for some changes in both volume and prices, our Gross National Product doubles itself. This achievement would be a little less notable than the experience of the last ten years. Such an increase in Gross National Product might mean a further rise in total bank assets by 1965 of perhaps 60%, or, in absolute terms, a rise of about $7.5 billion, assuming, of course, an unchanging relationship between the Gross National Product and bank assets.

"If we further suppose that bank loans outstanding in 1965 will not represent a greatly different proportion of bank assets than they do today—a proportion which now stands at around 45%—then bank loans over the next ten years may increase by about $3.4 billion. If this sounds inflationary in today's context of restraint I point out that this supposed increase in bank loans would be smaller than the $3.9 billion increase which occurred between 1945 and 1955. By implication we have also supposed that bank holdings of securities may constitute in 1965 about the same percentage of bank assets as they do today—namely, about 37%. On such a supposition security holdings would rise over the next ten years by about $2.8 billion—considerably more than the half billion rise over the 1945 to 1955 period. As for deposits, we may suppose an increase over the next decade of perhaps $5.6 billion.

"Some Canadian banks are already among the largest in the world. I would further anticipate that our banks will show greater growth than those in other countries, for in a long spell at banking I have worked in some ten countries and have seen banking at first hand in a great many more, and I have yet to see a banking system anywhere that is as efficient or gives its clients as good service as do the Canadian banks."

Immigration and the Canadian Employer

Paul M. Roddick

Citizenship and Immigration Minister Pickersgill ate his words that "new Canadians" were second-class citizens when recently addressing the Canadian Association of Adult Education in Montreal. "Immigrants" he said "are not only a source of labour, but also of employment. They have helped to create new industries. British Columbia sawmills have been built by Czechoslovaks; Granley precision instrument plants by Frenchmen; Quebec cement plants by Swiss . . . In the 8 years from 1946 to 1953 capital brought into Canada by immigrants amounted to $415 million." The estimated figure for 1954 alone was $75 million. New immigrant families since the war have bought over 100,000 ranges, 75,000 washing machines, 50,000 cars, 125,000 radios, and spend on food alone over $7 million a week.

FEW Canadians, employers or otherwise, are interested in immigration merely as a service to ambitious people from other lands. Stated in its simplest terms, Canada wants immigrants because they are needed. On a short term basis this need is most closely associated with a supply of certain skills for Canadian industry and agriculture which cannot be found within our own borders. In the longer run we must continue to build up our population through immigration if we wish to maintain our national identity, and at the same time not tax ourselves beyond reason for the privilege of remaining Canadians.

The Cost of Remaining a Canadian

Most of us who grew up with a map of Canada in the classroom have carried beyond the walls of the school a belief that our country has an area of almost four million square miles and that it stretches some sixteen hundred miles from its southern boundary northward into the Arctic Ocean. We learned also that *a mari usque ad mari* our country is more than three thousand miles across. Superficially these statistics are correct, but much of their real significance was not impressed upon us in school. Few Canadians are sufficiently aware that the 'effective' area of Canada—which is to say that part which foots the bills of Canadian nationhood—is a ribbon of development stretching along the northern border of the United States, a shallow frontier

of that republic, seldom more than two hundred miles in depth. Very few Canadians live beyond this ribbon of Canada, and those who do are too few to contribute much to the national wealth. Viewed as an independent and sovereign state, surely this strip of land, which economically is Canada, is the most peculiarly shaped country in the world.

North of this inhabited and productive region lies the great bulk of the land mass of Canada. Despite the rash of expansion and development which has taken place in Canada's North in the years since the war, this area has not begun to pay its way in the account books of the nation. Suitable illustrative figures are difficult to come by since our Bureau of Statistics does not recognize this division of the country. However, it is possible to glimpse the situation by noting the extent and value of production in that part of Canada which lies beyond the provinces. In 1950 the percentage of Canada's total net production originating in this area was 0.16%, and its value was just over 17 million dollars.

The taxes paid on an income of 17 million dollars will not go far towards meeting the cost of administration and defence of this area. The provision of an adequate defence in the North has assumed increasing importance in recent years, and we as Canadians are now faced with a choice between cheap (and shared) defence of our country, which cannot help but involve some loss of what has been traditionally viewed as 'sovereignty', and a 'go it alone' defence policy which would increase our tax burden to an intolerable level. As long as fifteen million Canadians must carry the administrative and defence load of the second largest country in the world they are unlikely to enjoy either the freedom or profit which can be won by less burdened peoples. Since we have no desire to jettison our load of geography let us aim at sharing it amongst more Canadians.

Another heavy burden for a small population is the provision of adequate communication services. It is self evident that the cost of building a mile of railway, or road, or telephone line is much the same in this country as in the United States. The major costs in providing such communications are related to distance. While our population remains less than one family to the square mile it is going to be an expensive proposition to provide these services. In the North, to which we look for increasing wealth and where there are no families at all in many thousands of square miles, the problem of building even sufficient communications to proceed with development is phenomenal.

There is another economic threat facing Canadians, one which has become more obvious to us as we have moved out of the immediate postwar seller's market, untroubled by Japanese and German competition, into a commercial arena which once more echoes the panic cries

of "sweated labour", "higher tariffs", "surpluses", and "dumping". The traditional ability of Canadian manufacturers to compete in foreign markets on a long term basis with the four manufacturing giants, Japan, Germany, Great Britain and the United States, is, to say the least, uncertain. What is certain is our inability to "blast our way" into the markets of the world. The necessity of a healthy and growing home consumption which will reduce our dependence on foreign trade is a conclusion which can no longer be avoided.

It has been contended that Canada's tremendous productive expansion during and since the war is the result of an artificial stimulus, and that our industrial growth, particularly in the field of manufacturing, is well above the level which we can sustain over the long haul. To the degree that this is true we must endeavour to provide a compensating stimulant to the development of the consumer element of our economy. One such stimulant has been Child Allowances, an instrument of national policy which has had a dual effect, first in a direct increase in consumer buying power, and secondly in the encouragement of population growth through natural means. Another and equally important stimulus to consumption has been a strong immigration policy, designed to bring into Canada as many people as the productive side of the economy could absorb. Within 10 years from the end of the war, Canadian immigration passed the million mark, and while all of those who came have not remained, we can hardly overestimate the value of the immigrant as a consumer, in terms of houses, furniture, appliances, clothing, food, cars and entertainment. This influx of new consumers will have a lasting and stabilizing effect on Canadian business.

The Employer and the Immigrant

Let us step down for a moment from the realms of higher economics and into an immigration shed in Halifax. If we could know what these men are thinking as they stream off the boat and make their somewhat frightened way past Customs and Immigration officers we would probably be surprised at the agitated state of their minds. The fears which predominate over all others in the minds of the immigrants might find expression in questions like these: "Will I get a job?" "If I do will it pay me enough to live on?" "Will it last?" "Will I be able to find work in my trade?"

Most Canadians might feel that these are questions for Immigration officers to answer, or perhaps the Department of Labour. In fact they are questions for the Canadian employer. He alone is the man who can solve the immigrant's primary problem, can put his fears at rest and set him on the straight road to becoming a responsible and enthusiastic Canadian citizen. He is the indispensable figure in the immigra-

tion programme. His co-operation is absolutely vital to the success and happiness of immigrants as individuals and to the continuance of a programme of immigration which will be large enough to serve the purpose for which it exists.

There is talk from time to time of the hopeless inadequacy of our immigration programme. It is suggested that Canada can take a great many more immigrants than she is taking today, twice as many, even a million a year. In the interests of the country there are few of us who would not wish to increase the flow of immigration. But one fact is paramount and cannot be ignored. *If Canada takes one more immigrant in 1956 than she did in 1955 she will do so because Canadian employers in the development of their various enterprises have created and made available to an immigrant one more job in the Canadian economy.* There is no artificial shortcut to immigration.

I am not suggesting that the Canadian employer who creates and provides this job is merely playing Santa Claus to an immigrant. During the past ten years employers in Canada have had available to them a source of technical, highly skilled labour which simply could not be found in a country whose people have been traditionally engaged in primary production. These skills which have been imported from older and more highly developed industrial nations have been vital to our own industrial growth. Nor have we reached the stage where we no longer require them.

The problem of getting the immigrant with the skill into the job which requires it is one which must be solved by co-operation between employers and immigration officials. Probably the major challenge in solving this problem is that of accurate forecasting of job vacancies, first by the empolyer on a company basis, and secondly by the Department of Immigration across the nation.

The immigrant, unlike the unemployed Canadian, is not waiting in the ante room of the employment office. He is several thousand miles away and before he can come to Canada he must plan ahead, usually not less than six months and often up to a year. He and his family must be medically examined, processed for suitability and, unless they are French, British or American, granted visas. There are possessions to be disposed of, shipping reservations to be made and notice given to his present employer. Only in very exceptional circumstances is it less than several months from the time the would-be immigrant enters a Canadian Immigration office abroad until he reaches his destination in Canada and is ready for employment. Accurate forecasting on a national scale puts the immigrant at the employer's door when he is needed.

To assist in the placement of immigrants, Regional Immigration offices have been established in all parts of Canada where immigrants are likely to be employed. Immediately after the war these offices were staffed with men who had still to learn their job. Today these same men are experienced and highly competent and are in a position to provide the maximum of assistance to both employer and immigrant. If they can get the maximum of co-operation from Canadian employers there is no doubt that our immigration programme can be expanded and made more effective.

The Immigrant as an Individual

While the problem of employment is of primary importance to the immigrant, he is concerned with other things too. Almost always the new arrival in Canada finds himself amongst strangers. If he does not speak our language very well he is an isolated and lonely individual. He has cut all his ties of security, has abandoned friends and relatives and has voluntarily removed himself from the familiar surroundings in which he grew up. Here he finds the food different, the money difficult to evaluate; there are innumerable new procedures to be learned in every activity from boarding a street car to going to church. It is a profound psychological experience and unless this is understood by the immigrant's employer, co-workers and other members of the community in which he is trying to become established, irreparable damage may be done to the development of a new citizen. The value of a smile and a kind word in the first few weeks are often incalculable.

Immigration files carry many records of immigrants who have been economic successes in Canada, but who have returned home because they were psychological failures. Many of these people harbour a distorted picture of Canada and Canadians simply because they received a little rough treatment before they had developed sufficient confidence and security to be able to take it. Probably the most important thing an employer can do is to take a little more time than usual when he hires the immigrant. The indication of a personal interest on the part of the employer is often so unique in the experience of immigrants that it will create a favourable impression of Canada and Canadians which will last a lifetime.

In addition it will be helpful if the employer will accept the necessity of adjustment during the immigrant's first six months and will be more than usually tolerant of his mistakes and of his attitudes. Many highly skilled tradesmen from older countries are annoyed and appalled at our methods which frequently by-pass the traditional patterns of craftmanship in the interests of speed and efficiency. The reasons for these differences, and their validity in the industrial process can be explained and should be if the employer wants the maximum of return from his employee over the long term.

Finally, Canadian businessmen in their community and service activities are rendering valuable assistance to officials by helping in the proper integration and assimilation of new Canadians. There is plenty of room for more of such work. Immigration is an activity which cannot achieve any success without the co-operation of the Canadian people. Departmental efficiency is only marginal to the main task. The growth of Canada through immigration bears a direct relation to the ability of our economy to absorb immigrants and the community's willingness to do so. In this programme both the attitudes and the activities of employers of labour in Canada are of profound importance.

The New Party Manifesto

1. **Electoral Reform**

Under our present electoral system, less than 10% of electors vote for politicians whom they like; the other 90% *vote against politicians whom they do not like.* An Electoral Reform Bill will provide that each elector should be allowed a number of votes that is one fewer than the number of candidates standing in his constituency; if only two parties put up candidates in his constituency the elector will have one vote, if there are three candidates two votes, etc. The elector will then be required to put his cross (or crosses) against the candidate (or candidates) whom he most dislikes; he will be at liberty to put all his crosses against one candidate if he so desires. The candidate with the least number of votes will be declared the winner. One advantages of this system is that no M.P. will then be able to claim that he has a mandate for anything.

2. **M.P.s' Pay**

The Party does not believe that M.P.s, even when elected in this way, should be paid bigger salaries. It does, however, propose a new radical and much more generous scheme for Parliamentary pensions. The essence of this scheme is that an M.P.'s pension, *after leaving Parliament, should always be greater than the salary he has earned while he has been in it, but that the size of that pension should be smaller the longer has been his period of service in the House.*

3. **Greater Reliance Upon Subsidies**

The Party has no doctrinaire views about subsidies (agricultural, export, rent, etc.). The sort of subsidies of which it generally disapproves, however, are those paid by British taxpayers in order to keep supplies in Britain short and prices in Britain up. The sort of subsidies which it particularly likes are those paid by foreign taxpayers, state credit agencies, etc., in order to keep supplies in Britain plentiful and prices in Britain low. The Party will therefore introduce a *Pro-Dumping Bill,* designed to encourage foreign countries to dump their goods here at prices below their economic cost of production. It believes that in this way it can secure that a substantial part of Britain's consumption of wheat, cotton clothing, and other items will be paid for by somebody else. . . .

—*From The Economist, January 7, 1956.*

Why U.S. Companies Outsell Canadian

Frances E. Oxley

A great deal of time and effort is devoted by Canadian companies to the selection, training and compensation of sales personnel. However, similar care is not applied to all areas of sales management. In particular, the scientific allocation of salesmen within territories is neglected.

In an attempt to probe this problem further, a study was conducted during the spring of 1955 by M. E. Wilkinson, a student at the School of Business Administration, University of Western Ontario.

A QUESTIONNAIRE dealing with the methods used by Canadian companies in setting up sales territories was sent to over one hundred sales managers. Three very significant facts emerged from the study. First, although rule-of-thumb procedures based on experience were used by nearly half (40%) of the companies in the study, more scientific methods which relied on calculated sales potentials were employed by an even greater number (50%). Secondly, American subsidiaries composed the major portion of the group using sales potentials in the determination of territories. Thirdly, many of those who were using the rough measures had been hampered in their efforts to become more scientific by three vital factors: the absence of reliable data on Canadian markets, the lack of capable sales executive manpower, and the rapid growth of company organizations.

Although a random sample was not used in the study, a good representation of companies selling goods belonging to the three major product group classifications in the economy was obtained.

A breakdown of the replies to the questionnaire gives the following picture:

	Number	Percent
Consumer soft goods	19	37%
Consumer durable goods	13	26%
Industrial goods	19	37%
Total	51	100%

Also of interest is the fact that 42% of the companies replying were subsidiaries of American organizations. In addition, the largest proportion (72%) of the companies were national organizations selling goods throughout the whole of Canada. However, there were some which maintained distribution in segments of the country alone, with 22% selling in Ontario and Quebec and 6% in the Prairies and British Columbia.

	Number	Percent
Independent Canadian companies	30	58%
American subsidiaries	21	42%
Total	51	100%
National distribution	35	72%
Ontario and Quebec distribution	13	22%
Prairies & British Columbia distribution	3	6%
Total	51	100%

Evidence that the sales managers were well-qualified to express their opinions is contained in the fact that every manager, with only two exceptions, was administering a selling force. For example, 48% of the companies used a sales force by itself while 48% used salesmen in some combination with wholesalers and/or manufacturers' agents. The remaining 4% used wholesalers and manufacturers' agents without the aid of a selling force to distribute their products.

Salesman Allocation

It is well-known that the Canadian market is geographically unique and an appreciation of the consequent problems involved can be obtained from a picture of the way in which the producers distribute their sales force efforts. The difference in the amount of selling effort applied to the various parts of Canada by the national companies is illustrated in the following table:

Geographical Distribution of Sales Force Efforts
National Companies

Area	*Range*
Ontario	40% to 60%
Quebec	10% to 14%
Maritimes	7% to 10%
Western Provinces	11% to 40%

The wide divergence in the west is based upon the varied amount of personal contact that the sales force must give. If a company contacts no more than distributors the sales force can be small for the members have time to reach the outlets which are usually in Winnipeg, Regina, Calgary, Edmonton and Vancouver. If, however, there is a need for a more personal contact with selling outlets the size of the sales force in the west must, of necessity, be larger due to the distances that must be travelled.

The attention paid to geographical aspects of the Canadian market is also highlighted in the information concerning the methods used by the companies in making these allocations of salesmen. Of the total companies, 40% replied that they applied "experience" (defined in the questionnaire as a process of experimentation and elimination until adequate coverage is felt to be achieved) as their basic technique of salesman allocation. At the same time 10% replied that they employed customer and outlet data for the same purpose. To all of the former and 4% of the latter geographical factors and the adequacy of transportation facilities within territories were important determining influences in allocation decisions.

The other side of the picture is somewhat more encouraging. Market analysis, which includes the use of calculated sales potentials, was employed by 50% of the sample. However, it is a somewhat sobering fact to note that over half of this group relied on sales potentials by themselves with very few of the companies (9%) combining these with other approaches.

The tabulated data illustrating these points are contained in the table below:

Methods Used in Salesman Allocation

1. Market Anaylsis		50%
Sales Potentials	27%	
Sales Potentials and experience	14%	
Sales Potentials and number of outlets times number of customers	4%	
Sales Potentials, experience and number of outlets times number of customers	5%	
2. Experience		40%
3. Customer and Outlet Data		10%
Number of customers	4%	
Territory salesman can cover times number of outlets	4%	
Number of customers times number of outlets	2%	
Total		100%

American Influence

Of greater significance perhaps is the fact that independent Canadian companies appear to be lagging behind their American competitors in the application of scientific sales supervision. The firms using market analysis (50% of the sample) were predominately U.S. subsidiaries with over two-thirds (or 18 companies) belonging to this group. At the same time, of those using "rule-of-thumb" methods, two-thirds were independent Canadian organizations.

The greater resources and longer experience of the parent organizations no doubt account for the more scientific techniques used by the American subsidiaries. It will be recalled that 42% of the total sample was made up of U.S. firms. Of these 21 companies, four-fifths or 17 reported that they used the methods of salesman allocation employed by their parent organizations. Only one-fifth or 4 companies used entirely different methods. Over half of the firms that employed the parent company methods (9 consumer durable and industrial goods distributors) did not adapt or change them in any way to suit the Canadian market. Special kinds of markets for durable and industrial goods and the ability to base territorial determination of specific facts: e.g. the density of automobile registration, allowed this use of exactly similar techniques.

Those that adapted the parent company methods (8 consumer soft goods distributors) did so on the basis of the geographical features of the Canadian market. No other differences in the two markets were recognized and the companies stated that the success of the methods in the United States seemed to indicate that further adjustments were unnecessary.

	Number	Percent
American subsidiaries	21	100%
Parent company methods used	17	76%
Different methods used	5	24%
American subsidiaries using parent company methods	17	100%
Methods not adapted	9	53%
Methods adapted	8	47%

Sales Reviews

Periodical reviews of activities and results of salesmen are very important to successful sales management and it is obvious that the methods

used in these reviews will have a large bearing on the validity of the evaluations made by sales managers concerning the success of sales activities.

The proportions of companies using relatively rough measures for these reviews is large. Nearly half (45%) of the replies indicated that reliance was placed on a comparison of actual sales with company forecasts and/or competitors' sales. At the same time, however, a substantial proportion (37%) did apply buying power indices to the evaluation of actual sales achievements. Unfortunately 18% of the sample did not reply to this question, so conclusions concerning the relative effectiveness of Canadian and American companies are not available.

Methods Used in Sales Reviews

1. Without Buying Power Indices		45%
Forecasts against sales	27%	
Forecasts against sales and also against competitors' sales	16%	
Sales against competitors' sales	2%	
2. With Buying Power Indices		37%
Forecasts against sales and surveyed buying power	12%	
Sales against surveyed buying power	10%	
Forecasts against sales, against competitors' sales and surveyed buying power	4%	
3. No Reply		18%
Total		100%

The frequency of sales reviews also has a bearing on the success of the supervision carried out by the sales managers. Although at the time of the survey reviews varied from once a year to once a week, the most popular intervals were quarterly and monthly. An almost equal number of companies carried out reviews at these times. However, there was a fairly significant proportion (24%) which conducted them less frequently.

Frequency of Sales Reviews

	Number	Percent
1. Quarterly	13	25%
2. Monthly	15	30%
3. Less than Quarterly	12	24%
Once a year	3	
Twice a year	8	
Three times a year	1	
4. Others	3	6%
Five times a year	1	
Eight times a year	1	
Weekly	1	
5. Unknown	8	15%
Total		100%

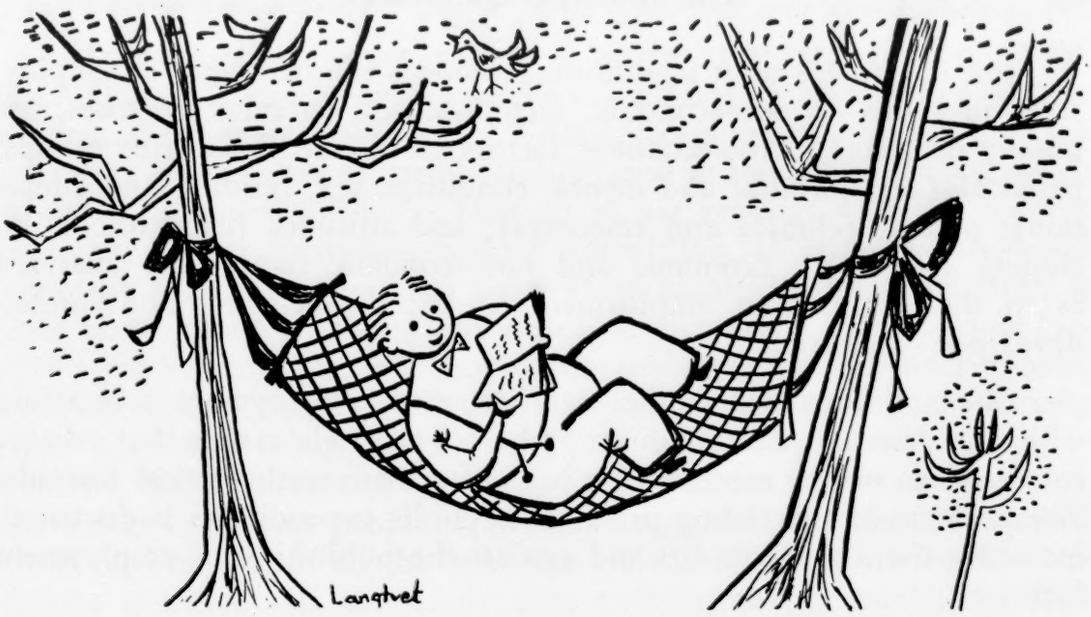
Adequacy of Methods

It is unfortunate that answers to the questions which attempted to assess the adequacy of the methods used were either ignored or only partially answered, with the result that only tentative inferences can be drawn from the data on hand. However, 13% or 7 sales managers expressed dissatisfaction with the methods of salesman allocation and sales reviews employed by their companies. All of these were connected with companies using "experience" as their guide. When asked to state why this situation existed, those that replied gave various answers which are listed below:

Adequate sales potential data not available.
Information of sales work loads not complete.
Adequate sales executive manpower not available.
Company growth too rapid.

Conclusions

Lack of time and resources appear to be the major reasons for the use of rule-of-thumb methods by the independent Canadian companies. This underlines the advantages held by American subsidiaries who are the chief users of the more scientific techniques. They have, because of the assistance of their parent companies, more of these valuable assets at their disposal. However, as more Canadian market information and a larger supply of executive manpower becomes available to the rapidly expanding and independent Canadian companies, the introduction of scientific sales supervision methods will no doubt become general.



Book Reviews

THE ECONOMICS OF EMPLOYMENT AND UNEMPLOYMENT

by Paul H. Casselman. Public Affairs Press, Washington, D.C., 1955. 183 pp. $3.25.

This book is a brief treatment of the theoretical and practical aspects of the employment problem. Dr. Casselman points out that modern programmes for the maintenance of full employment have never been tested. The supreme test will take place only when the artificial stimulus incident to war is removed. The author rightly asserts that no single economic theory can be used to explain a given level of employment or unemployment. While not minimizing the importance of theoretical analysis, he emphasizes 'practical aspects' and pays considerable attention to the importance of 'extra-economic' considerations.

In a few clearly written chapters, Dr. Casselman summarizes the chief theories, including that of Keynes, concerning the economic factors which govern the volume of employment. He discusses the problem in terms of effective demand, investment, wage rates, technology, income distribution, mobility of labour, labour union policy, consumers' attitudes, international influences, and government programmes. The material on seasonal variation incorporates charts and tables showing the effect of seasonal changes upon the Canadian economy. The chapter on the business cycle is an able resumé of leading theories regarding cyclical fluctuations and their reaction to employment.

But the book's most significant feature is the treatment of employment in terms of non-economic factors which, in other treatises, are usually neglected. Non-economic factors are divided into three groups: personal (age, physical and mental condition, sex, training and education); natural (climate and resources); and attitudes (conventions, including religion). Economic and non-economic factors are analyzed as to their effects on employment in both "developed" and "underdeveloped" countries.

The author considers the significance of employment forecasting which he describes as both an art and a science. He asserts that reliable forecasts can not be made on the basis of a mere mathematical formula. The problem of correlating private and public expenditures is discussed, including the arguments for and against the publishing of employment forecasts.

In his concluding chapter, Dr. Casselman warns that "the task of maintaining employment on a high and stable level is not an easy one." He contends that on the analytical side our knowledge is insufficient, and on the practical side some "employment determinants are beyond the control and power of the stabilizing agency."

The reviewer recommends this small volume to all persons interested in the employment problem, especially to those who have implicit faith in the efficacy of fiscal policy. Brevity in treatment of basic employment factors is the volume's chief defect. Dr. Casselman should write a bigger book.

—M. K. Inman, Head of Economics Department
University of Western Ontario

ADJUSTMENTS TO LABOUR SHORTAGES

by Richard A. Lester, Princeton University, 1955. 90 pp. $2.00.

This report, the third and last of a two-year study of the effects of the rapid expansion of four firms in the Trenton, New Jersey area, has a subtitle that is nearly a review in itself: "Managament Practices and Institutional Controls in an Area of Expanding Employment." It assumes familiarity with the two earlier reports although complete in itself.

The author's end is to discover "why, with developing labour scarcity, particular adjustments occurred or did not occur in—the policies of manufacturing firms." To this end he draws on interviews with officers of eighty-two manufacturing firms, twenty union officials and fourteen State Employment Officers, made in the period 1951-52.

Many questions were asked and many interesting answers found but it appears to the reviewer that the one great question asked, although never in these exact words was, "What forces appear to restrict the free operation of the laws of supply and demand in the labour market when labour is in short supply?" Most of us are familiar with the answers economic theory provides—lack of knowledge, of mobility, etc.—and although this study does not show these factors to be inoperative, it does show that certain others, called in this study "institutional factors", have profound influence in the reduction of labour turnover, even where the criteria of a good market in large measure exist. Among these are such things as recruitment policy, completeness of fringe benefits, length of service and seniority provisions. These are, perhaps, the things that many people would have suggested had they been asked what factors influenced the retention of a work force under the conditions specified. If this study does nothing else, it establishes their influence on labour shifts as beyond dispute.

The whole study appears to have been well conceived and well carried out. At the practical level, it will give many a useful hint to any employer faced with problems of recruiting or retaining a work force when labour is in short supply, while those with a more theoretical interest in economic, social and industrial relations will surely be moved to consider the implications of this very interesting piece of research, so far as their own fields of study are concerned.

THE CHALLENGE OF AUTOMATION

by Public Affairs Press, Washington, D.C., 1955. 77 pp. $2.50.

This publication is a collection of papers by eleven interested and, apparently, able people on what is by all odds the most popular topic in the business world today. The papers were delivered to the National Conference on Automation convened by the C.I.O. in Washington, in April, 1955. As might be expected, the effects of automation on labour are emphasized. Seven of the eleven papers—some rather short—were given by top labour men and of these, Walter Reuther's, obviously meant to be a general policy statement, was by far the most important. It should be read by everyone with any interest in industrial relations.

Each of the four "non-labour" papers discusses a different aspect of the challenge. Senator O'Mahoney, discussing public policy implications, makes a series of comfortable statements about long run results, moral forces and spiritual concepts that all can accept and cuts off debate in his last paragraph by invoking the founding fathers.

The three remaining papers are all interesting and informative; however, Walter S. Buckingham's discussion of the industrial signifi-

cance of automation stands out as an example of how much can be well said in a short space.

Altogther, this book is an excellent brief introduction to some of the social, political and industrial implications of automation and will well repay reading.

—K. J. Duncan, Instructor in Economic and Political Science
University of Western Ontario

THE TWILIGHT OF THE PROFIT MOTIVE

by Theodore Levitt. Public Affairs Press, Washington, D.C., 1955. 15 pp. $1.00.

Fortune Magazine has said: "American capitalism has changed and developed beyond the ability of the historians to catch up with it . . . the great books even, that furnished Americans with their stereotypes about capitalism, are now obsolete . . ."

In his little pamphlet, Dr. Levitt gives good grounds for his thesis that Big Business in the United States is no longer conducted solely or even chiefly by the desire to maximize profits. Other important aims listed are: (1) to remain inconspicuous and avoid anti-trust inquiry, (2) to fend off wage demands, (3) to minimize taxes, (4) to discourage potential competition, (5) to bring credit to the capitalist system and "to the party which it (business) in effect now largely runs."

(There may be some doubt about the strength of this last motive but there is no doubt that it will make good propaganda for the Democrats.)

The author points out that the declining emphasis on profit is largely due to two factors: business executives are now hired hands deriving their incomes from salaries rather than from dividends — and product differentiation and brand names make big firms desire good public relations.

Readers interested in the topic raised by Dr. Levitt will find a fuller—and more exciting treatment—in *Creating An Industrial Civilization,* a report on the Corning Conference, edited by Eugene Staley.

—W. B. Harvey, Professor of Economics
University of Western Ontario

GREAT ENTERPRISE

by Herrymon Maurer. Macmillan Company of Canada, Ltd., Toronto, 1956. 303 pp. $5.00.

This is a timely and careful study of the modern large corporation with the particular objective of reporting firsthand actions at the man-

agement level in a substantial cross section of large American corporations. We have had considerable literature on the subject of the evils of bigness. Particularly in Washington, there has been constant probing to prove whether bigness, of necessity, becomes a liability in the social and economic sense.

To undertake such a study is certainly ambitious. The author, with the assistance of the facilities of Fortune magazine, has taken a good look at the inside workings of fifty large U.S. corporations. This look consists primarily of a study of the top executives, what motivates their actions, what kind of philosophy guides their decisions, and what satisfactions they derive from their efforts. Most of all, he has taken a look at the results which are being achieved.

There will be critics who argue that it is impossible to derive definitive conclusions on the basis of such a sample, and others who argue that it is difficult for an outside researcher to get sufficiently close to what is going on. Nevertheless, one who reads this fascinating book can hardly fail to be impressed with the thoroughness of the job. Certainly it throws new light on the functioning of the modern corporation and leaves one with a sense of satisfaction and pride with the present order of things.

Particularly interesting is what may be called the "new look" in executive leadership, which is becoming increasingly evident among large corporations. Management has received insufficient credit for the manner in which it has generally shifted its sights in the past two decades. General Wood of Sears has expressed it, "Business must account for its stewardship not only on the balance sheet, but also in matters of social responsibility". It is quite refreshing to read the record of a great many executive leaders whose decisions are no longer dominated by the desire to maximize profits, but largely influenced by long term corporation needs which must take into account the impact of corporate activity on society as a whole.

Finally, a look into the workings of modern management involving the relations of the directors to the corporation officers, the functioning of management committees, and the processes by which authority is effectively delegated in a large corporation constitutes not only a most interesting study, but gives assurance of reasonable efficiency of operation in a complex situation. In a very real sense, therefore, this book helps to give more balance to the thinking of those who have had only the actions of the Combines Investigation Commission in Ottawa, or the Anti-trust Branch of the Justice Department in Washington, to influence them in their attitude toward big business.

—Lloyd Sipherd, Professor
U.W.O. School of Business Administration

FINANCIAL REPORTING IN CANADA

by Research Staff, Canadian Institute of Chartered Accountants, Toronto, 1955. 70 pp.

This study is an analysis of the annual statements of 275 Canadian companies for the years 1953 and 1954. It was designed primarily to provide a summary of trends and developments in financial reporting and was issued in the fall of 1955 in order that it might be of most assistance to those responsible for preparing annual reports—the season opens in December.

Special attention has been given to topics which have been the subject of bulletins issued by the Committee on Accounting and Auditing Research . The suggestions in these bulletins have apparently been widely accepted. This is also the experience in the United States where the American Institute of Accountants has for some years been publishing "Accounting Trends and Techniques in Annual Reports".

RAISING CAPITAL WITH CONVERTIBLE SECURITIES

by C. James Pilcher, University of Michigan, 1955. 153 pp. $2.50.

In his introductory chapter the author points out that published data on convertible securities has been largely restricted to discussions of the attractiveness of such securities as an investment medium. Therefore he concludes that little has been published dealing with such questions as:

1. How appropriate is the use of convertibles from the viewpoint of the corporate issuer?
2. What are the important motivations lying behind management's decisions to issue this type of security?
3. To what extent have convertibles been utilized relative to non-convertibles?

In an attempt to throw light on these problems the author analyzed all new United States corporate issues larger than $300,000 for the period 1933 through 1952. Of a total of 3,358 public offerings of bonds and preferred stocks 20% were convertibles. But of the 1959 bond offerings only 9% had such options whereas over 35% of the 1,399 preferreds were convertible.

One chapter is devoted to an examination of the conversion option and related provisions and another to the use of privileged subscriptions versus general public offerings. An examination of the two main reasons for issuing convertible securities, to enhance the marketability of a senior issue and to raise residual equity capital, was based on questionnaires sent to the presidents of 100 companies which had marketed this kind of security. The answers indicate as one might expect

that almost three times the number of convertibles were issued to raise common capital as to "sweeten" a senior security, and the fact that this was much more noticeable in the case of bonds than preferred stock is not unexpected. Because of the growing importance of the institutional investor a separate chapter contains the results of the investigation of life insurance, other insurance companies, investment trusts and others as buyers of convertibles. The two most important of these as potential buyers appear to be the life insurance companies and privately administered pension plans.

The chief attractions of this book, developed from a doctoral dissertation at the University of Michigan, are the various analyses of security issues. One can say therefore that the author has provided the answer to the third question mentioned in the first paragraph. In addition he has presented a thoughtful appraisal of the problems involved in the use of the convertible perferred stock and bond. A comprehensive bibliography is included.

—James C .Taylor, Professor
U.W.O. School of Business Administration

ADMINISTERING A CONVERSION TO ELECTRONIC ACCOUNTING

by Harold F. Craig. Division of Research, Harvard Business School, Boston, 1955. 224 pp. $2.50.

To businessmen, tired of reading criticisms of their practices of administrative skill, Professor Craig's book may come as a welcome relief. He studied, over a fifteen month period, the installation of an I.B.M. electronic data processing system in one department of a large insurance company. "The pattern of evidence," he says, "showed that a very effective job of administration had been and was being done by the management of the commercial department of the Amalgamated Insurance Company."

The company had an old and stable social equilibrium resting on traditions of "security, long service and seniority as an element in promotion". Professor Craig emphasizes that throughout the conversion to the new I.B.M. system those traditions were maintained. After a planning team of long-service supervisors in the commercial department had devoted nearly three years to study of the proposal, actual conversion was made over a span of nearly four years, during which the department underwent many major changes—in formal organization, in systems of recording transactions, in the jobs of managers, supervisors and clerks, in personnel, and in salaries paid.

In contrast to another company's failure to manage such a change (the appendix tells the story of confusion, resistance, loss of a quarter

of a million dollars, and final return to the old manual methods and bookkeeping machines)—in the Amalgamated Insurance Company the outcome was a happy one. The success was due chiefly to: (a) the existence of an established social equilibrium on which to build; (b) the willingness of the administrators of the conversion to take their time and never let the conversion take precedence over the jobs that had to be done daily, whatever the accounting system in use; (c) having administrators of long service in the organization who shared many of the social values and traditions of the total group affected; and (d) having administrators who were conscious of those values and determined that they should be maintained. The social equilibrium survived the technological revolution relatively unscathed.

Administrators took the existing social organization into account, and their reward was a successful social and technical conversion to an electronic accounting system. Professor Craig judged that there were even greater rewards in this situation—"increased capacity of the organization to perform", and a new release of "the latent talent of individuals". I do not find evidence for these evaluations. The organization certainly emerged with increased technical capacity, but his data shows no increase in social capacity, either of the groups or the individuals. However, there was no significant social loss. He has written this story well, and there is both a lesson and encouragement for all administrators.

—R. K. Ready, Assistant Professor
U.W.O. School of Business Administration

CITIES IN THE WILDERNESS:
The First Century of Urban Life in America 1625-1742

by Carl Bridenbaugh. McClelland & Stewart Ltd., Toronto, 1955. 500 pp. $7.50.

This book is a reprint of the 1938 edition which has been out of print for some years. When this volume first appeared, Ernest S. Griffith, who reviewed it for the *American Historical Review,* wrote: "It is rich material that Professor Bridenbaugh has mined, and out of it he has fashioned a work of art. No future history of the colonial period of our national life can fail to be profoundly affected by the picture of the important emerging urban culture herein presented." This review alone would justify the reprinting.

A review has a real place in *The Business Quarterly.* For the author pointed out, "Pursuit of the trade and commerce was the all-embracing activity of the early colonial villages—the very basis for their existence," (page 26), and "The history of the colonial villages in the seventeenth century is primarily a tale of commercial expansion," (page 52). The cities concerned are Boston, Newport, New York, Philadelphia, and Charles Town. These were picked as they were the largest on the continent at the eve of the American Revolution and, further, supply a

wide range in geographic position and political institutions. The author, however, did not confine his study to economic development, the growth of the carrying trade, the rise of industry, and so on, all admirably described, but devoted many pages to the problems which grew from the growing society. Such problems as fire protection, water supply, morality, police forces, and roads all are dealt with in a thorough but, at the same time, light manner. "Society in the eighteenth century was lusty and coarse" (page 389), and the author does not try to tone down the picture.

When the work first appeared it provided a useful antidote to the heavy doses of frontier influence which had been administered to readers of American history for the previous forty years. Thus it made a variable contribution to American historiography. There can be no doubt that it will continue to remain in demand on account of its solid content for a long time to come.

James J. Talman, Librarian
The University of Western Ontario

REGINA, THE QUEEN CITY

by Earl G. Drake. McClelland & Stewart Ltd., Toronto, 1955. 260 pp. $5.00.

In "Regina, the Queen City", Earl G. Drake tells how Regina has overcome, in addition to all usual hardships encountered by a pioneer community, the calamities of drought, depression, cyclone, fire and severe water shortage. The selection of a site on Pile of Bones Creek in 1881 for the capital of the Northwest Territories was influenced by many factors: the foresightedness of Lt.-Gov. Edgar Dewdney, who appreciated its position in the heart of the rich agricultural area, collaboration between government and railway, real estate interests, and the lack of other really choice townsites in the area. The settlement was formally named when the first passenger train arrived on August 23, 1882. Many citizens worked hard to make Regina a law-abiding, God-fearing town, but Nicholas Flood Davin, founder of Regina's first newspaper, did the most to publicize and defend the much-criticized town. In athletics, drama and social entertainment, the growing town benefitted from the competition and talent present in the North West Mounted Police. The Riel Rebellion and its attendant tragedy of racial and religious strife made Reginans conscious of their community of interest with the commercial, rail and agricultural interests in Eastern Canada.

Regina's economy varied with the state of the crops in the area. The late 80's were poor crop years and the economy suffered. The bumper crop of 1891 encouraged credit buying, which resulted in a chaotic financial situation when subsequent crop failures made it impossible to meet payments. By the turn of the century Regina's popu-

lation had grown to 2,645; the town had become a distribution centre for farm implements; and attention was focused on commercial growth rather than political problems.

Briefly, Regina's position as capital of the new Province of Saskatchewan was in jeopardy to Saskatoon. However, the capital remained in the south and 171 acres of land were purchased for Saskatchewan's Legislative Buildings in a spot of unrivalled beauty. Canada's first licensed aerodrome was located in Regina in 1920 and eight years later the first air mail test flight was made from there. Local interest in flying provided a corps of men trained to provide instruction when the Second World War began.

Despite drought and drastic drops in wheat prices in the early 30's, the city and province staged the World's Grain Show in 1933, and also the first National Convention of the C.C.F. The world's first Co-operative Refinery was set up in Regina in 1935 and expanded rapidly. Reginans also remember 1935 as the year of the riot caused when police arrested the leaders of a crowd of unemployed men, halted in Regina on their trek from Vancouver to Ottawa.

Regina's growth has been directly influenced by three principal factors, agriculture, provincial government, and its natural environment. Postwar years have seen flourishing agricultural conditions seriously marred only by the foot-and-mouth outbreak in 1951-52 and the growing stocks of wheat in 1954. What may have seemed preposterous expectations seventy years ago have become reality and now the Queen City of the Prairies is faced with those problems common to so many expanding urban areas — traffic control, provision of adequate public transport, accommodation for the popular spectator sports and facilities for the city's cultural life.

—Esther Brandon, 1955 Gold Medallist
U.W.O. School of Business Administration

THE BUSINESS CYCLE IN THE POST-WAR WORLD

edited by Erik Lundberg. Macmillan Company of Canada, Ltd., Toronto, 1956. 366 pp. $5.00.

This book belies the theory that if all the world's economists were laid end to end they would reach no conclusion, maybe because only congenial and outstanding experts were invited by the International Economic Association (I.E.A.) to prepare papers for and attend its conference at Oxford in September 1952 on the business cycle in the post-war world. Whether those conclusions are right or wrong, here I shall only note that the coming of a serious depression in the United States was more or less taken for granted in the discussion. But this seems a poor excuse for delaying 3½ years to publish papers written in the summer of 1952.

What has happened to the trade cycle — and trade cycle theory? Are the seven fat years following the Second World War any proof that it has vanished permanently from the realm of probabilities? There came at the conference a powerful warning that all the structural changes and the new appearance of the movements of prices and production should not tempt us to draw hasty conclusions about its disappearance or to believe that government actions, whether fiscal, or financial, naive or naughty, can necessarily be responsible. Said E. A. G. Robinson: "I am distinctly worried by the exaggerated optimism about the possibility of preventing the cycle."

This book is delightful reading for economists; they will meet a reminiscent Sir Denys Robertson looking, like his beloved Alice, in the looking glass of his memory to find that cycle theory has itself swung in a fifty year cycle so that today it has many points in common with the pre-1914 era; and lamenting with sympathetic smile his non-econometrician viewpoint:

"As soon as I could safely toddle
My parents handed me a Model.
My brisk and energetic pater
Provided the accelerator.
My mother with her kindly gumption,
The function guiding my consumption;
And every week I had from her
A lovely new parameter,
With lots of little leads and lags
In pretty parabolic bags . . ."

Postwar economic tendencies in the United States are analyzed by Yale's William Fellner; industrial fluctuations in the United Kingdom by Cambridge's E. A. G. Robinson; and learned papers follow on Sweden, Denmark, France, Western Germany, Italy and Japan. Together they form the first part of the book describing the business cycle in the postwar world with all the variety of economists' styles, historical and descriptive, econometrician, mathematical, model builders, and plain "literary school" of theoretical economists.

In the second part are papers on recent trends of business cycle theory by Cambridge's R. M. Goodwin and Nicholas Kaldor, Michigan's Lawrence Klein, California's R. A. Gordon, and the International Monetary Fund's research chief, J. J. Polak. These authors reinforced by other economists such as I.E.A.'s president Gottfried Haberler, John Hicks, David Champernowne and Leon Dupriez proceeded to discuss the issues both of theory and policy. The third and concluding part of the book, written by A. D. Knox, of the London School of Economics, summarizes the debate.

Possibly the real heroes of this week-long conference — or were they the villains for so often upsetting the economists' theories?—were

the consumer and the United States; the consumer, because in the post-war period he had consistently spent his way and his country's out of every setback which might have otherwise become a depression; and the United States, because its international generosity in Marshall and other plans had maintained spending power in both its own exporting industries and in the recipient countries and nipped incipient depressions in bud. Businessmen, bankers, trade unionists and politicians should, however, ponder such conclusions as "All booms so far have been broken by heavy credit restrictions", "The United States is unlikely to have strong government action in the early stages of depression", "If people believe that there is no danger of recession at all, the result will be an increase in inflationary pressure", "In a free society we must have serious recessions if we are to prevent wage-price inflation", and "Even an annual rise in prices of only 5% means a 200% increase during the ordinary working life, and that makes savings valueless."

—A. Gordon Huson, Editor

TRAINING FOR HUMAN RELATIONS: An interim Report of a Program for Advanced Training and Research in Human Relations, 1951-1954

by F. J. Roethlisberger, George F. F. Lombard, Harriet O. Ronken, and others. 2nd Ed. 224 pp. $2.00.

READINGS IN HUMAN RELATIONS

by F. J. Roethlisberger. 24 pp. $.50. Harvard Business School Division of Research, Boston, 1955.

Quarterly readers who did not read the first edition of *Training for Human Relations* have a chance to read a better edition now. The purpose of both editions is to report to the public on the first three years of experiences, lessons and questions encountered in a programme for advanced training and research in human relations. The programme was centred at the Harvard Business School, financed by funds from the Ford Foundation. The book begins with a review of the training experience the authors helped design in this programme for a small group of trainees. From this data, the authors have abstracted a significant but modest way of looking at the complex process of growth in a human relations skill.

The bonus in the second edition is an appendix entitled "Readings in Human Relations", also available as a separate document. 101 books and articles comprise the list of readings. For the selections, however, Professor Roethlisberger has drawn on publications from many disciplines in the behavioural sciences — clinical psychology, psychiatry, social anthropology, general semantics, sociology, business and others. Human relations, as he writes, "has thrown its doors wide open".

Canadian Taxation and the Businessman

K. W. Lemon, C.A.

WHEN may a bona fide expenditure properly paid out in the course of carrying on a business not be permitted as a deduction from taxable income? This perplexing riddle which arises from a gradual but continuing extension of the types of expenditures which are disallowed for tax purposes represents one of the more controversial aspects of our Income Tax law and is a growing source of concern and irritation to Canadian taxpayers.

The disallowance of such expenditures arises in most cases from an increasing tendency to apply outdated rules of law to the sweeping provisions of The Income Tax Act which prohibit the deduction from income of any expenditure unless it is:

(a) Reasonable
(b) Laid out for the purpose of earning taxable income, and
(c) Not made in respect of a capital outlay or loss.

The purpose of such restrictions is readily understandable and if the excluding sections were interpreted in the light of modern business conditions there could be little reason for complaint. The Act, however, is interpreted by the Courts and, as the function of our Courts has not been to make new law, decisions frequently have been based on precedents established many years ago in the British Courts in circumstances which had little relation to present day business conditions. The result, therefore, is the creation of an increasing body of precedent which frequently disregards sound business practice and accounting principles and which is consequently unrealistic in relation to modern concepts of business.

An indication of the extent to which the provisions of the statute have been applied to disallow normal business expenditures is found in recent decisions of the Income Tax Appeal Board, in which:

(a) A trust company was not permitted any deduction in respect of club entrance fees and annual dues paid for its senior employees even though it required the employees concerned to join the clubs;
(b) A publisher was denied a deduction in respect of the cost of acquiring the right to purchase a quantity of newsprint which, at the time, was in short supply;
(c) A gas company was not allowed to deduct fees paid to industrial engineers in connection with a successful application for a permit to export gas;
(d) A manufacturer was disallowed legal fees incurred in the course of obtaining a reduction in the rate of duty applicable to certain raw materials.

In the case of the disallowed club fees it was held that such expenditures had not been made for the purpose of earning income (although it is difficult to imagine what other purpose the employer may have had) and the somewhat alarming suggestion was made that a taxpayer in order to obtain a deduction must show a close relationship between an expenditure and the resulting income. The other expenditures referred to were disallowed as capital outlays which gave rise to lasting benefits although in each case the advantages gained were by no means permanent.

As far back as 1947 a clear statement on this subject was made in a judgement of the Exchequer Court which held that, in the absence of specific statutory prohibition, expenses should be recognized in accordance with accepted principles of business and accounting practice and, further, that a taxpayer is not required to demonstrate that an expense actually produces income in order for it to be considered as laid out for the purpose of earning income. Unfortunately, however, the weight of precedent over the centuries greatly limits the application of this decision, so that it would appear that the taxpayer cannot look to courts for any significant help in this matter. The correction of the inequities created by the present practice then can only come from legislative action.

In this regard a ray of hope appeared in the 1955 amendments to the Act which specifically permit the deduction of certain financing expenses which have long been considered as capital in nature and accordingly non-deductible. As a result deductible expenses now include legal, accounting, printing and similar items incurred in connection with stock or bond issues. Commissions, discounts or amounts paid for services to an investment dealer or salesmen, however, are still not deductible although such expenses, particularly in the case of short term bond issues are clearly costs of carrying on business. It should be noted in connection with this amendment that expenses of bond issues will not be deductible if the funds borrowed are used to acquire property which will produce tax exempt income (e.g. shares of a Canadian company) but that this limitation is not applied specifically to expenses incurred on the sale of shares. Such expenses may still be disallowed, however, under the general exclusion of expenses incurred to earn non-taxable income.

This small chink in the solid front of disallowed expenses provides some assurance that our legislators are aware of the problem and serves to strengthen the hope that the breach will be widened by further statutory amendments which will have the effect of divorcing Canadian taxation policy from the case law of another age and placing it squarely on its own feet in a more reasonable relation with modern business practice.

Book Reviews cont.

Professor Roethlisberger's genius is in seeing new meanings and new questions in this heterogeneity; and, even more, he sees new syntheses for the understanding and development of improved skill in the practice of administration. In Professor Roethlisberger's comments on his elections, he is at his sober, serious best. He recognizes that his list of readings reveals "many different tongues, motivations, and aspirations in many different stages of realization and accomplishment." He sees more, though, than frustration in this situation. The readings "will also reveal some shared hopes and values and the realization that human relations is in a stage of transition and emergence and far from being something static, final, or complete. . . . Some investigators are seeking for more consistent, mathematical models; some are seeking to formulate more precisely stated hypotheses for testing; and some are continuing to look at concrete situations. It is human for each investigator to feel that what he has chosen to do is a matter of the most importance. It is natural for him to expect that his aspirations will be realized. It is probable that no one investigator has the capacity or the time to do all these matters well. If these feelings and limitations do not prevent these three groups from communicating with one another, the future of human relations is indeed bright.

These are comments of a man with great sensitivity to human relationships, and a maturity for living

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with them and holding hopes for them. The reading list reflects that kind of selectiveness.

—R. K. Ready, Assistant Professor
U.W.O. School of Business Admin.

Books Received

GOVERNMENT STATISTICS FOR BUSINESS USE — *Philip M. Hauser & William R. Leonard* — 2nd Ed. — John Wiley & Sons, Inc. 440 pp. $8.50.

This invaluable guide round the maze of U.S. government statistics has been entirely rewritten and two chapters have been added, "International Statistics" and "Some Uses of Sampling and Sampling Aids". More especially, the fourteen experts survey the kind of data that may be expected from the 1955 economic censuses.

INDUSTRIAL MARKETING—*Alexander, Cross & Cunningham* — Richard D. Irwin, Inc.

ECONOMICS OF TRANSPORT — *Emery Troxel* — Rinehart & Co. 837 pp. $7.00.

THE MYTH OF SISYPHUS and Other Essays--*Albert Camus*—McClelland & Stewart, Ltd. 212 pp.

PSYCHOLOGY OF INDUSTRIAL CONFLICT — *Ross Stagner* — John Wiley & Sons, Inc. 530 pp. $8.00.

THE TERMS OF THE TRADE — A European case study — *Charles P. Kindleberger* — The Technology Press & John Wiley & Sons, Inc. 382 pp. $9.00.

CORPORATION FINANCE IN CANADA—*C. A. Ashley and J. E. Smith* —Macmillan Co. of Canada Ltd. 253 pp. $3.95.

LETTERS TO THE EDITOR—(cont.)

if defined would not be filled." . . .

George Baker, Montreal

Economists and Electrical Industry

. . . Businessmen get tired of economists because they are so often wrangling in public. Thank goodness for our peace of mind that doctors of medicine do not do the same thing. In a world geared entirely for producers' interests, it is refreshing to find Professor English defending the poor Canadian consumer. . . .

Brian Fitzgerald, Vancouver

ABOUT OUR AUTHORS—(cont.)

tiveness of Supervisor Training" appeared in The Business Quarterly, Fall edition, 1950.

Frances E. Oxley, Director of Research at the U.W.O. School of Business Administration, has combined studies at the universities of Western Ontario, Indiana and Queens with service in the R.C.A.F. Her "Consensus of Optimism", reporting the results of the polls of Canadian executive opinion conducted by the Business School appeared in the Winter issues, 1954 and 1955. She was joint author of "What Are His Hobbies" in the Summer 1955 issue.

A. Stewart Thompson, Jr., executive at Supersilk Hosiery Mills and graduate of U.W.O.'s School of Business Administration, wrote in previous issues "Developing a Management Philosophy" and "The Management Audit". Mr. Thompson has also contributed articles to such magazines as *Personnel, The Management Review,* and *Supervisory Management.*

After graduating from Queen's University, **Paul M. Roddick** was made District Superintendent of Colonization and Agriculture for the C.N.R. in Scotland. He joined the Department of Citizenship and Immigration in 1953. From 1953 to 1955 he was Current Affairs Adviser (Ontario Region) of the Department of National Defence. He is now with the Staff Training Department at Ford of Canada.

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